UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

(Check One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

or

☑ ANNUAL REPORT PURSUANT TO SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended **March 31, 2024** Commission File number **1-31402**

CAE INC.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English (if applicable))

Canada	**3699**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number (if applicable))*	*(I.R.S. Employer Identification Number (if applicable))*

8585 Côte-de-Liesse, Saint-Laurent, Québec, H4T 1G6
514-341-6780
(*Address and telephone number of Registrant's principal executive office)*

CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, NY 10011 (212) 894-8700
(*Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Common Shares, including associated Common Share purchase rights pursuant to the Registrant's Shareholder Rights Plan, which purchase rights will trade together with the Common Shares	**CAE**	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:
☑ Annual Information Form ☑ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **318,312,233 common shares**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

PRIOR FILINGS MODIFIED AND SUPERSEDED

The annual report on Form 40-F of CAE Inc. ("CAE" or the "Company") for the year ended March 31, 2024, at the time of filing with the U.S. Securities and Exchange Commission (the "SEC" or "Commission"), modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") for purposes of any offers or sales of any securities after the date of such filing pursuant to any registration statement or prospectus filed pursuant to the Securities Act of 1933 which incorporates by reference such annual report on Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

A. Evaluation of disclosure controls and procedures. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by CAE in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to CAE's management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Under the supervision of the President and Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of CAE's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings,* as of March 31, 2024, the end of the period covered by this Annual Report on Form 40-F. The President and Chief Executive Officer and the Chief Financial Officer concluded from the evaluation that the design and operation of CAE's disclosure controls and procedures were effective as at March 31, 2024.

B. Management's annual report on internal control over financial reporting. CAE's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

CAE's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of CAE's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that CAE's receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of CAE's assets that could have a material effect on the financial statements.

Management evaluated the effectiveness of CAE's internal controls over financial reporting as of March 31, 2024, based on the framework and criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and has concluded that CAE's internal control over financial reporting is effective as of the end of the period covered by this Annual Report on Form 40-F.

C. Attestation report of the Independent Auditors. PricewaterhouseCoopers LLP (PCAOB ID 271), independent auditors who audited and reported on CAE's financial statements included in this annual report, has issued an attestation report on the effectiveness of CAE's internal control over financial reporting as of the end of the period covered by this Annual Report on Form 40-F. This attestation report is included in Exhibit 99.2 to this Annual Report on Form 40-F and is incorporated herein by reference.

D. Changes in internal control over financial reporting. There were no changes to CAE's internal control over financial reporting during the year ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, CAE's internal control over financial reporting.

E. Limitations on the effectiveness of controls. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. Accordingly, CAE's management, including our President and Chief Executive Officer and our Chief Financial Officer, does not expect that CAE's internal control over financial reporting will prevent or detect all errors and all fraud.

CAE will continue to periodically review its disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

NOTICES PURSUANT TO REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the fiscal year ended March 31, 2024.

AUDIT COMMITTEE AND AUDIT COMMITTEE FINANCIAL EXPERT

CAE has a separately-designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The Company's Audit Committee is comprised of seven directors, all of whom, in the opinion of CAE's board of directors, are independent (as determined under Rule 10A-3 of the Exchange Act and the rules of the NYSE) and are financially literate. CAE's Audit Committee is, as of the date hereof, comprised of the following directors: Ayman Antoun, Sophie Brochu, Elise Eberwein, Marianne Harrison, Mary Lou Maher, François Olivier and Patrick M. Shanahan.

CAE's board of directors has determined that, as of the date hereof, it has two audit committee financial experts serving on its audit committee. The board of directors has determined that Ms. Marianne Harrison and Ms. Mary Lou Maher are audit committee financial experts within the meaning of General Instruction B(8)(b) of Form 40-F and are independent as that term is defined by the New York Stock Exchange's corporate governance standards applicable to CAE.

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, does not impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the board of directors in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or board of directors.

CODE OF ETHICS

CAE has a code of ethics entitled “Code of Business Conduct,” which applies to all directors, officers, and employees of CAE and CAE’s wholly-owned and controlled subsidiaries, including CAE’s principal executive officer, principal financial officer, principal accounting officer, employees seconded to joint venture companies, agents, representatives, contractors, suppliers and consultants. The Code of Business Conduct is available at CAE’s website http://www.cae.com/investors/governance/ and is available in print to any shareholder who requests it. Requests for copies of the Code of Business Conduct should be made by contacting CAE’s Investor Relations department, 8585 de la Côte-de-Liesse Saint-Laurent (Québec) Canada H4T 1G6, email: investor.relations@cae.com. Amendments to the Code of Business Conduct and waivers, if any, for executive officers will be disclosed on CAE’s website. Unless specifically referred to herein, the information on CAE’s website shall not be deemed to be incorporated by reference in this annual report.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under section 10.3 “Approval Of Services” on pages 31 and 32 of Exhibit 99.1, Annual Information Form, providing details on the fees billed by PricewaterhouseCoopers LLP, the Company’s principal accountant, to CAE in each of the years ended March 31, 2024 and March 31, 2023 for professional services rendered to CAE, is incorporated by reference herein.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under section 10.3 “Approval of Services” on pages 31 and 32 of Exhibit 99.1, Annual Information Form, is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under section 8.2 “Off balance sheet arrangements” on page 25 of Exhibit 99.3, Management’s Discussion and Analysis, is incorporated by reference herein.

CONTRACTUAL OBLIGATIONS

The disclosure provided under section 7.4 “Contingencies and Commitments” on page 23 of Exhibit 99.3, Management’s Discussion and Analysis, is incorporated by reference herein.

MINE SAFETY DISCLOSURE

Not applicable.

SIGNIFICANT DIFFERENCES

A summary of significant differences between corporate governance practices followed by CAE and corporate governance practices required to be followed by U.S. domestic companies under the New York Stock Exchange's Listing Standards (disclosure required by section 303A.11 of the NYSE Listed Company Manual) is available at CAE's website http://www.cae.com/investors/governance/.

UNDERTAKING AND CONSENT TO

SERVICE OF PROCESS

A. Undertaking

CAE Inc. (the "Registrant") undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the Commission a Form F-X in connection with the Common Shares, including the associated Common Share purchase rights pursuant to the Registrant's Shareholder Rights Plan, which purchase rights trade together with the Common Shares.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: June 21, 2024 **CAE INC.**

By: /s/ Mark Hounsell
Name: Mark Hounsell
Title: General Counsel, Chief Compliance Officer and Corporate Secretary

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 †
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 †
97	CAE Inc. Executive Compensation Clawback Policy
99.1	Annual Information Form for the fiscal year ended March 31, 2024
99.2	Audited annual financial statements for the fiscal year ended March 31, 2024
99.3	Management's Discussion and Analysis for the fiscal year ended March 31, 2024
99.4	Notice and Management Proxy Circular dated June 14, 2024 (incorporated by reference to CAE's Form 6-K (commission file no. 1-31402) furnished to the Commission on June 21, 2024

† This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference on any filing under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended March 31, 2024 of CAE Inc. of our report dated May 27, 2024, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in Exhibit 99.2 incorporated by reference in this Annual Report on Form 40-F.

We also consent to the incorporation by reference in the Registration Statements Form S-8 (No. 333-275323, 333-267775, 333-213708, 333-155366 and 333-97185) of CAE Inc. of our report dated
May 27, 2024 referred to above. We also consent to reference to us under the heading “Interests of Experts” in the Annual Information Form, filed as Exhibit 99.1 to this Annual Report on Form 40-F, which is incorporated by reference in such Registration Statements.

/s/PricewaterhouseCoopers LLP

Montréal, Quebec Canada
June 21, 2024

PricewaterhouseCoopers LLP
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, ca_montreal_main_fax@pwc.com, www.pwc.com/ca

“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a), PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc Parent, certify that:

1. I have reviewed this annual report on Form 40-F of CAE Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: June 21, 2024

/s/ Marc Parent
Name: Marc Parent
Title: President and Chief Executive Officer

CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a), PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sonya Branco, certify that:

1. I have reviewed this annual report on Form 40-F of CAE Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: June 21, 2024

/s/ Sonya Branco

Name: Sonya Branco
Title: Executive Vice President, Finance and Chief Financial Officer

CERTIFICATION REQUIRED BY PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

CAE Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended March 31, 2024 (the "Report").

I, Marc Parent, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc Parent
Marc Parent
President and Chief Executive Officer

Date: June 21, 2024

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

CAE Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended March 31, 2024 (the "Report").

I, Sonya Branco, Executive Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sonya Branco
Sonya Branco
Executive Vice President, Finance
and Chief Financial Officer

Date: June 21, 2024

CAE INC.

EXECUTIVE COMPENSATION CLAWBACK POLICY

Introduction

The Board of Directors (the "**Board**") of CAE Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under applicable securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**"), Rule 10D-1 promulgated under the Exchange Act and Section 303A.14 of the New York Stock Exchange Listed Company Manual (the "**Listing Standards**").

Administration

The Board has delegated administration of this Policy to the Human Resources Committee of the Board (the "**Committee**"). Any determinations made by the Committee shall be final and binding on all affected individuals. The Committee may delegate to any person, group of persons or corporation such administrative duties and powers relating to the Policy as it sees fit.

Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Committee in accordance with Section 10D of the Exchange Act and the Listing Standards, and such other senior executives or employees who may from time to time be deemed subject to the Policy by the Committee ("**Covered Executives**"). Executive officers of the Company's subsidiaries are deemed executive officers of the Company if they perform such policy-making functions for the Company. The following are examples of persons who may be deemed executive officers:

- President and Chief Executive Officer;
- Chief Financial Officer or principal financial officer;
- Principal accounting officer or controller;
- President & General Manager, CAE USA Inc. and Group President, Defense & Security
- Group President, Civil Aviation
- Any vice president in charge of a principal business unit, division or function (such as sales administration or finance);

- Any other officer who performs a policy-making function; and
- Any other person who performs similar policy-making functions.

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under applicable securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Committee will promptly require reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three (3) completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement, and if the Company has changed its fiscal year end during such three (3) year period, any transition period as required under Section 10D(b)(1)(i)(D) of the Exchange Act. The "date on which the Company is required to prepare an accounting restatement" is the earlier to occur of: (i) the date that the Board, applicable Board committee, or officers authorized to take action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare the accounting restatement, or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare the accounting restatement, in each case regardless of if or when the restated financial statements are filed.

This Policy applies to Incentive Compensation received by a Covered Executive (i) after beginning services as a Covered Executive, (ii) if that person served as a Covered Executive at any time during the performance period for such Incentive Compensation, and (iii) while the Company had a listed class of securities on a national securities exchange or a national securities association under the Exchange Act.

However, no reimbursement or forfeiture will apply to Incentive Compensation received by a Covered Executive before such Covered Executive began providing services as a Covered Executive.

Incentive Compensation

For purposes of this Policy, "**Incentive Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure (as defined below). Incentive Compensation is "received" for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of such Incentive Compensation occurs after the end of that period. The following are examples of Incentive Compensation that may be based on a Financial Reporting Measure:

- Bonuses and other short- and long-term cash incentives earned wholly or in part based on satisfying a Financial Reporting Measure performance goal;
- Bonuses paid from a bonus pool, if the pool size is based wholly or in part on satisfying a Financial Reporting Measure performance goal;

- Equity awards (such as restricted shares, restricted share units, performance share units, deferred share units, stock options and stock appreciation rights) granted or vested based wholly or in part on satisfying a performance goal based on a Financial Reporting Measure; and

- Proceeds received upon the sale of shares acquired under an equity award that was granted or that vested wholly or in part on satisfying a Financial Reporting Measure performance goal.

A "**Financial Reporting Measure**" is (i) any measure that is determined and presented in accordance with the accounting principles used (including non-IFRS financial measures) in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure, (ii) Company stock price and (iii) total shareholder return. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities Exchange Commission. Examples of Financial Reporting Measures may include:

- Return measures such as return on capital employed, return on invested capital or return on assets;

- Earnings measures such as earnings per share;

- Order intake

- Revenues;

- Cash from operations;

- Adjusted operating margin %;

- Net income; and

- Liquidity measures such as working capital or operating cash flow.

Excess Incentive Compensation; Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Committee. The amount to be recovered must be computed without regard to any taxes paid.

For Incentive Compensation based on stock price or total shareholder return, where the amount of excess Incentive Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement, the amount of such Incentive Compensation that is deemed to be excess Incentive Compensation will be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive Compensation was received, and the Company will maintain and provide the documentation of the determination of such reasonable estimate to the relevant securities regulatory authorities and securities exchanges.

To the extent that a Covered Executive fails to repay all excess Incentive Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such excess Incentive Compensation from such Covered Executive. Such Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such excess Incentive Compensation in accordance with the immediately preceding sentence.

Obligation to Recover

The Committee shall recover any excess Incentive Compensation in accordance with this Policy unless:

- Recovery is impracticable because it would impose undue costs on the Company or its shareholders, as determined by the Committee in accordance with Rule 10D-1 of the Exchange Act and the Listing Standards;
- It would violate Canadian law in effect prior to November 28, 2022; or
- It would cause an otherwise tax-qualified retirement plan to fail to meet the requirements of the U.S. Internal Revenue Code.

Method of Recoupment

The Committee will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

- Requiring reimbursement of cash Incentive Compensation previously paid;
- Seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- Offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- Cancelling outstanding vested or unvested equity awards; and
- Taking any other remedial and recovery action permitted by law, as determined by the Committee.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation, nor shall it pay for or reimburse payment for the cost of third-party insurance intended to fund a Covered Executive's potential reimbursement or forfeiture obligations under this Policy.

Interpretation

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this

Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the U.S. Securities and Exchange Commission or the Canadian Securities Administrators or any securities exchange on which the Company's securities are listed, including the Toronto Stock Exchange and the New York Stock Exchange.

Administrator Indemnification

Any members of the Committee, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Committee or the Board under applicable law or Company policy.

Effective Date; Conflict of Terms

This Policy has been adopted by the Committee effective as of October 2, 2023 (the "**Effective Date**") and shall apply to Incentive Compensation that is received by a Covered Executive on or after that date even if such Incentive Compensation was approved, awarded, granted or paid to the Covered Executive prior to the Effective Date. This Policy amends and replaces in its entirety the Company's former Executive Compensation Clawback terms included in its short- and long-term incentive plans, but does not replace the Company's Supplemental Clawback Policy effective May 28, 2024, (as amended or restated from time to time, the "**Supplemental Clawback Policy**"). Where applicable, this Policy is supplemented, but is not replaced, by the Supplemental Clawback Policy, provided however that if any provision contained in such Supplemental Clawback Policy is in conflict with, or is inconsistent with, any provision of this Policy, the provision contained in this Policy shall prevail.

Amendment

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect further regulations adopted by the U.S. Securities and Exchange Commission under Section 10D of the Exchange Act or rules or interpretations promulgated thereunder, to comply with any Listing Standards or to comply with rules or standards adopted by the Canadian Securities Administrators or any securities exchange on which the Company's securities are listed, including the Toronto Stock Exchange and the New York Stock Exchange.

Other Recoupment Rights

The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any

similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 40-F.

Adopted November 14, 2023
Last updated May 27, 2024



2024 ANNUAL INFORMATION FORM
(Fiscal Year Ended March 31, 2024)

CORPORATE OFFICE
8585 Chemin Côte-de-Liesse
Saint-Laurent, Quebec
June 14, 2024 *Canada H4T 1G6*

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INFORMATION INCORPORATED BY REFERENCE

CAE's Management's Discussion and Analysis (**MD&A**) and our Consolidated Financial Statements for the year ended March 31, 2024, and the notes thereto (**Consolidated Financial Statements**) appear in the Annual Financial Report to Shareholders for the year ended March 31, 2024 (**Annual Financial Report**). The Consolidated Financial Statements have been prepared in accordance with Part I of the CPA Canada Handbook – Accounting and IFRS Accounting Standards, as issued by the International Accounting Standards Board. Certain information contained in the MD&A and the Consolidated Financial Statements for the year ended March 31, 2024, and the notes thereto, available on SEDAR+ at www.sedarplus.ca, is specifically incorporated by reference into this Annual Information Form (**AIF**). Certain comparative figures have been reclassified as a result of our Healthcare segment being presented as discontinued operations in our MD&A and Consolidated Financial Statements. Any parts of the Annual Financial Report not specifically incorporated by reference do not form part of this AIF.

Unless otherwise noted, all dollar references in this AIF are expressed in Canadian dollars. In this AIF, the terms "we", "us", "our", "Company" and "CAE" refer to CAE Inc. and where applicable, its subsidiaries. We also use the other defined terms throughout this AIF which are defined in the Glossary annexed to this AIF.

References to fiscal 2024 or FY2024 refer to the period from April 1, 2023 to March 31, 2024, references to fiscal 2023 or FY2023 refer to the period from April 1, 2022 to March 31, 2023, references to fiscal 2022 or FY2022 refer to the period from April 1, 2021 to March 31, 2022 and references to fiscal 2021 or FY2021 refer to the period from April 1, 2020 to March 31, 2021.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This AIF 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 herein) 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 AIF. You will find more information in Section 10 "*Business risk and uncertainty*" of the MD&A of the financial report for the year ended March 31, 2024, which has been filed with the Canadian Securities Administrators on SEDAR+ (www.sedarplus.ca) and is available on CAE's website (www.cae.com). The MD&A has also been filed with the U.S. Securities and Exchange Commission and is available on its website (www.sec.com).

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 AIF 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.

The forward-looking statements contained in this AIF describe our expectations as of June 14, 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 AIF 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 AIF. 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 AIF 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, and our ability to complete the integration of the AirCentre business and the separation of the CAE Healthcare business within the anticipated time periods and at the expected cost levels. Air travel is a major driver for CAE's business and management relies on analysis from the International Air Transport Association to inform its assumptions about the rate and profile of recovery in its key civil aviation market. Accordingly, the assumptions outlined in this AIF and, consequently, the forward-looking statements based on such assumptions, may turn out to be inaccurate. For additional information, including with respect to other assumptions underlying the forward-looking statements made in this AIF, refer to Section 10 "*Business risk and uncertainty*" of the MD&A of the financial report for the year ended March 31, 2024, available on our website (www.cae.com), SEDAR+ (www.sedarplus.ca) and EDGAR (www.sec.gov), which section is incorporated into the AIF by this reference.

1. CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

On March 17, 1947, CAE Inc. (**Company** or **CAE**) was incorporated as Canadian Aviation Electronics Ltd. under the laws of Canada by letters patent. In 1965, the name of the Company was changed to CAE Industries Ltd. and in 1993 the Company changed its name to CAE Inc.

CAE was continued in 1977 under the *Canada Business Corporations Act* (**CBCA**). In 1979, CAE's articles were amended to change its authorized share capital to an unlimited number of common shares (**Common Shares**), and again in 1981 to authorize an unlimited number of preferred shares, issuable in series, with such rights, privileges, restrictions and conditions as the Directors of CAE may determine. On June 9, 1995, CAE's articles were amended to authorize the Directors to appoint additional Directors in accordance with the provisions of the CBCA.

CAE's registered office is located at 8585 Côte-de-Liesse, Saint-Laurent, Quebec, Canada H4T 1G6, telephone: (514) 341-6780, fax: (514) 340-5530.

1.2 Intercorporate Relationships

The direct and indirect subsidiaries and other investments or ownership interests of CAE are set out in Schedule A.

2. COMPANY OVERVIEW

2.1 Overview

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.

2.2 Geographic and Segment Revenues and Locations

CAE's consolidated revenue in FY2024 was $4.3 billion and in FY2023 was $4.0 billion, and is broken down as follows:

Revenue by Segment (%)

	FY2024	FY2023
Civil Aviation	57	54
Defense & Security	43	46
	100	**100**

Geographic Distribution of Revenue (%)
(based on location of customers)

	FY2024	FY2023
Canada	11	9
United States	49	52
United Kingdom	6	6
Rest of Americas	2	2
Europe	15	14
Asia	13	15
Oceania and Africa	4	2
	100	**100**

For information on CAE revenues by reportable segment, reference is made to Section 6 "*Results by segment*" of the Company's 2024 MD&A, which section is incorporated by reference into this AIF.

Schedule B sets out, by business segment, the locations of CAE's primary subsidiaries' and divisions' material sites as of the date of this AIF.

2.3 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.

2.4 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. GENERAL DEVELOPMENT OF THE BUSINESS

Significant Developments of the Three Most Recent Fiscal Years

Fiscal Year 2022 Highlights

Leadership Changes

– Effective May 3, 2021, Mary Lou Maher was appointed to the Board of Directors of CAE (**Board**).

– On August 30, 2021, Carter Copeland was appointed Senior Vice President, Global Strategy as a new leadership position and Andrew Arnovitz was appointed to the position of Senior Vice President, Investor Relations and Enterprise Risk Management.

– On October 28, 2021, Pascal Grenier was appointed to the position of Senior Vice President, Flight Services & Global Operations.

– Effective March 30, 2022, Hélène V. Gagnon was appointed to the newly created position of Chief Sustainability Officer and Senior Vice President, Stakeholder Engagement.

Business Combinations

– On April 1, 2021, we acquired the remaining 79% equity interest in the RB Group, a leading provider of fully integrated solutions that modernize the way airlines and business aircraft operators interact with their crew. This acquisition further supported CAE's expansion into digital flight crew management in our goal to drive additional software-enabled civil aviation services.

– On June 10, 2021, we acquired GlobalJet Services, a provider of aviation maintenance training recognized around the world for its services for both business and helicopter sectors. This acquisition expanded our aircraft platform addressability in the maintenance training market through world-class, regulatory approved training programs.

– On July 2, 2021, we acquired the L3H MT business, which includes Link Simulation & Training, Doss Aviation and AMI for cash consideration of $1,337.7 million. Link Simulation & Training was one of the leading providers of military training solutions in the U.S., Doss Aviation was the provider of initial flight training to the United States Air Force, and AMI was a design and manufacturing facility for simulator hardware. The acquisition expanded our position as a platform-independent training systems integrator by diversifying our training and simulation leadership in the air domain, complementing land and naval training solutions, and enhancing our training and simulation capabilities in space and cyber.

– On February 28, 2022, we acquired AirCentre, a suite of flight crew management and optimization solutions for cash consideration (net of cash acquired) of $498.9 million. The transaction provided us with the AirCentre product portfolio, related technology and intellectual property as well as the transfer of its highly talented workforce. The acquisition further expanded our reach across our broad customer base beyond pilot training and established CAE as a technology leader in the growing market for industry-leading, digitally enabled flight and crew operations solutions.

Other

– In July 2021, concurrent with the completion of the L3H MT acquisition, 22,400,000 outstanding subscription receipts were converted into CAE Common Shares on a one-for-one basis.

– In July 2021, we entered into unsecured term loan agreements for an aggregate amount of US$300.0 million to partially finance the payment for the L3H MT acquisition.

– In July 2021, we were included in the S&P/TSX 60 index, which represents the 60 leading businesses in leading industries in Canada.

– In September 2021, we extended the maturity date of our US$850.0 million unsecured revolving credit facility until September 29, 2026.

– In September 2021, we concluded new financial participation agreements with the Government of Canada and the Government of Quebec who will fund up to $190.0 million and $150.0 million, respectively, in the form of partially repayable loans for eligible spending related to R&D projects. The investments will fund Project Resilience, a plan to invest $1 billion in R&D innovations over 5 years.

Fiscal Year 2023 Highlights

Leadership Changes

– On April 1, 2022, Patrick M. Shanahan joined the Board.

– Effective August 10, 2022, Elise Eberwein and Ayman Antoun were appointed to the Board. In addition, Alan N. MacGibbon succeeded the Honourable John Manley as Chair of the Board. Mr. Manley stepped down from the Board in line with CAE's term limits policy.

– On June 20, 2022, Heidi R. Wood stepped down as Executive Vice President, Business Development and Growth Initiatives and President, Healthcare.

– On September 6, 2022, Abha Dogra was appointed Chief Digital and Technology Officer in a new leadership position. Ms. Dogra's position evolved to Chief Technology and Product Officer when she took charge of the Product Management function, while continuing to assume her Digital and Technology responsibilities.

Other

– On August 16, 2022, we announced that we had signed a 15-year agreement with the Qantas Group, to develop and operate a new state-of-the-art pilot training centre in Sydney, Australia.

– In October 2022, we amended our US$850.0 million unsecured revolving credit facility to increase the total capacity to US$1.0 billion and extended the maturity by one year to September 2027. In addition, we terminated our $300.0 million Sidecar unsecured revolving credit facility, which had no borrowings and was coming to maturity in April 2023.

– On March 30, 2023, we announced a joint venture to establish the first advanced flight training centre in Athens, Greece. The centre is expected to begin pilot and cabin crew training by the end of calendar 2023 and will be our first training centre in Southeastern Europe.

Fiscal Year 2024 Highlights

Leadership Changes

– Effective May 1, 2023, Bob Lockett was appointed Chief People Officer, succeeding Dan Sharkey who retired on June 30, 2023, as Senior Vice President, Global Human Resources.

– On August 9, 2023, Sophie Brochu was elected to the Board.

Business Dispositions

– On February 16, 2024, we announced the closing of the sale of our Healthcare business to Madison Industries for an enterprise value of C$311 million. The total consideration, after preliminary working capital and selling price adjustments, amounted to $293.4 million and is subject to further post-closing adjustments. This transaction better positions CAE to efficiently allocate capital and resources to secure growth opportunities on the horizon in our much larger, core simulation and training markets: Civil Aviation and Defense and Security.

Other

– On April 4, 2023, we inaugurated our newest business aviation training centre and our first on the U.S. West Coast, located in Las Vegas near Harry Reid International Airport with 50,000-square-foot of space and capacity for up to eight full flight simulators.

– On May 30, 2023, we announced the award of a contract from General Dynamics Information Technology to support Flight School Training Support Services at Fort Novosel (formerly Fort Rucker), Alabama. The contract, valued at US$455M, supports the recent award to GDIT by the U.S. Army Program Executive Office for Simulation, Training and Instrumentation for simulation capabilities and training support services to prepare initial entry-level and graduate-level rotary wing flight training at Fort Novosel.

– On June 12, 2023, we announced the closing of our private offering of $400 million aggregate principal amount of 5.541% Series 1 Senior Unsecured Notes due June 12, 2028. In connection with the offering, we obtained a credit rating for the Notes. See Sections 7.4 "*Unsecured Senior Notes*" and 7.5 "*Credit Ratings*".

– On June 19, 2023, we announced the signing of an agreement with Boeing through which CAE will become a Boeing Authorized Training Provider, and the first to offer Boeing's Competency-Based Training and Assessment curriculum.

– On August 30, 2023, we announced the expansion of our longstanding joint venture with Embraer to include pilot and cabin crew training for the Embraer E-Jets E2 family of commercial aircraft. Embraer-CAE Training Services (ECTS) launched a new pilot training program and deployed a first E-Jet E2 full-flight simulator at the Singapore-CAE Flight Training Centre where training began in January 2024.

– On February 16, 2024, concurrent with the sale of our Healthcare business, we announced that we will further streamline our operating model and portfolio, optimize our cost structure and create efficiencies.

– On March 18, 2024, we announced that the signature of a 15-year agreement with Akasa Air, India's fastest growing airline, to provide Boeing 737MAX pilot training at our facilities in India.

Fiscal Year 2025 to Date

– Following the end of fiscal 2024, effective April 4, 2024, Jason Goodfriend was appointed Interim Group President, Defense & Security, succeeding Dan Gelston. His role has since evolved to Interim President and Chief Operating Officer, Defense & Security, USA.

– On May 16, 2024, Patrick Decostre joined the Board.

– On May 21, 2024, we announced a re-baselining of our Defense and Security business along with impairments and unfavourable contract adjustments related to eight previously identified fixed-price legacy contracts (**Legacy Contracts**). In the fourth quarter of fiscal 2024, we recorded a $568.0 million non-cash impairment of Defense and Security goodwill and $90.3 million in unfavourable contract profit adjustments as a result of accelerated risk recognition on the Legacy Contracts. We also recorded a $35.7 million impairment of related technology and other non-financial assets which are principally related to the Legacy Contracts.

– On May 21, 2024, Nick Leontidis was appointed Chief Operating Officer, as part of a senior leadership reorganization to further strengthen CAE's execution capabilities and drive additional synergies between CAE's Defense and Security business and its Civil Aviation business. In this role, he has overall responsibility for both the Civil Aviation and the Defense and Security business segments.

– On May 27, 2024, we announced the re-establishment of our normal course issuer bid (**NCIB**) to purchase 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 we complete purchases or elect to terminate the NCIB. Please refer to section 6.2 "*Repurchase and Cancellation of Common Shares*" for more detail regarding the NCIB.

– On May 29, 2024, we announced that SkyAlyne Canada Limited Partnership (**SkyAlyne**), a partnership between CAE and KF Aerospace, was awarded a $11.2 billion, 25-year contract by the Government of Canada to manage the Future Aircrew Training Program for the Royal Canadian Air Force (**RCAF**). Under the Program, SkyAlyne – in collaboration with the RCAF – will 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 to train Canadian military pilots, Air Combat Systems Officers and Airborne Electronic Sensor Operators.

4. DESCRIPTION OF THE BUSINESS

4.1 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.

Efficient Growth

Our business features a high degree of recurring revenues due to the underlying characteristics of our technology-enabled solutions and regulatory requirements across our markets. We seek to maximize the benefits of our strong competitive position to deliver premium growth and profitability through a focus on operational rigour, cost optimization, capital efficiency, and a disciplined approach to pursuing organic and inorganic growth.

Technology and Market Leadership

We have a rich and long-dated history of customer centricity, innovation and delivering state-of-the-art technology solutions that define the forefront of the industries we operate in. As a result, we constantly seek new ways to enhance the performance of our customers by fostering a culture of continuous improvement and innovation. This drives technology leadership, deeper customer partnerships, and new customer development, enabling us to capitalize on the ample headroom in our large, growing addressable markets.

Revolutionizing Training and Critical Operations

We are a global leader in the application of training, digital immersion, critical operations, and modelling and simulation technologies. We seek to use data-driven applications and advanced analytics to produce measurable and demonstrated outcomes in our markets. The efficacy of our technology solutions enables customized, collaborative, and multi-domain offerings. Furthermore, our technologies are deployed with a focus on driving sustainability.

Skills & Culture

Our core values are innovation, integrity, empowerment, excellence and One CAE. We employ these values across a diverse global team to drive a unique social impact. We seek to create an employee experience and environment that values teamwork, professional growth, and engagement. As a result, our employees across the globe share a passion to prepare our customers for the moments that matter.

More information about CAE's strategy can be found in Section 3.4 "*Our strategy*" of CAE's 2024 MD&A, which section is incorporated by reference herein.

4.2 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, and aircraft finance leasing companies.

Information about CAE's Civil Aviation segment (**Civil**), including market drivers and profitability drivers can be found in the section entitled "CIVIL AVIATION MARKET" under Section 3.5 "*Our operations*" of CAE's 2024 MD&A, which section is incorporated by reference herein.

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.

Information about CAE's Defense & Security segment (**Defense**), including market drivers and profitability drivers can be found in the section entitled "DEFENSE AND SECURITY MARKET" under Section 3.5 "*Our operations*" of CAE's 2024 MD&A, which section is incorporated by reference herein.

4.3 Industry Overview and Trends

CAE's Civil and Defense businesses are each driven by factors that are particular to each market. However, across all of our markets, we see the potential for long-term growth driven by multiple secular factors including: the importance of safety, the critical nature of the operations we support and the digital transformation and virtualization of the physical world. CAE's core capabilities align very well with these future growth opportunities and going forward, we see significant opportunity to leverage our market and technological expertise as a bigger, stronger and more profitable CAE.

CAE believes the civil aviation market is most affected by the world gross domestic product, which in turn drives air travel, measured in revenue passenger kilometers (**RPK**). A positive RPK trend typically results in increased need for aircraft, pilots, crew and modernized flight operations solutions. Additional factors influencing civil aviation include the nature, size and composition of aircraft fleets, aircraft delivery schedules, pilot demographics, certification requirements, market demand for commercial and business air travel and helicopter transport; the latter two in particular are also influenced by corporate profits and activity in the oil and gas sector. Section 3.5 "*Our operations*" of CAE's 2024 MD&A provides more detail regarding the civil aviation market trends and outlook.

CAE believes the defence and security market is mostly influenced by a combination of defence spending and the nature of military activity. Demand for CAE's Defense products and services are also influenced by the degree to which governments globally lean towards the outsourcing of functions to the private sector. We continue to experience delays in the awarding of new contracts due to reduced bandwidth within government procurement agencies, which impacts adjusted order intake[1]. Our Defense business is affected by the extent to which synthetic training and mission rehearsal solutions gain market acceptance as a complement or alternative to live training such as flying an actual aircraft. Section 3.5 "*Our operations*" of CAE's 2024 MD&A provides more detail regarding the defence market trends and outlook.

4.4 Innovation and Research and Development

Overview

CAE represents more than 75 years of industry firsts—the highest-fidelity flight and mission simulators and training programs powered by digital technologies. We're investing our time and resources into building the next generation of cutting-edge, digitally immersive training and critical operations solutions.

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

As a technology company, we digitalize the physical world, deploying software-based simulation training and critical operations support solutions to the civil aviation and defence and security markets globally. We leverage the power of data to enable instructors to train pilots to be more competent in their skills. Our full-spectrum solutions are helping deliver more immersive and effective products, services, and solutions and empower pilots, airlines and defence and security forces to perform at their best every day in the moments that matter.

Technology leadership and a deep-rooted innovation culture are key fundamentals in the four pillars of CAE's strategy.

Sector Technology Trends

The evolving trends in the aerospace sector remain consistent: the digitalization of operations, the decarbonization of the industry, as well as advancements in future mobility platforms, all of which remain priorities for the industry. One of the central needs of the aerospace sector is the efficient training of pilots to address growing and currently unmet demands. The modernization of the training systems is expected for the new generation of learners, leveraging data analytics and objective assessments, to deliver the highest quality of training. New entrants into the logistics and transportation sectors are developing platforms for urban air mobility and are introducing the use of drones for commercial applications, a trend that is contributing to accelerate the development cycles and that is supported by significant investments into this promising sector. Electrical propulsion, hydrogen powered aircraft and sustainable aviation fuels are also on the drafting table of several technology demonstrators and the aerospace sector strategic plans toward decarbonization of flight.

The near-peer threats underscore the importance of defence technology trends such as joint training, large operational and training intelligence data sets processed, integrated, and made available for use in real-time. Common operating views amongst the five domains (Air, Land, Sea, Space, and Cyber) are being integrated across large scale interoperable training systems. Addressing the pilot shortage and pilot training cycles continue to be a priority given the challenges of the complex fifth-generation fighter platforms.

Innovation and R&D Programs

CAE has a long history of conducting large-scale R&D Programs in the field of modeling and simulation for aerospace training services and products. CAE consistently ranks among the top 20 Canadian companies for investments in R&D, including the second highest spender in Aerospace and Defence in Canada's Top 100 Corporate R&D Spenders 2023, where CAE ranked 18th among all sectors. We continue to focus significant resources in areas such as data analytics, artificial intelligence (**AI**), immersive environments, and more – all aimed at digital immersion that will help our customers achieve their best performance in the moments that matter.

In FY2024 CAE launched a project that aims to develop monitoring tools to detect and characterize biases in industrial systems introduced during operations, in order to increase the reliability and robustness of these systems. CAE is carrying out the project with industrial partners from the telecommunications and AI sectors respectively and with a public research centre under the umbrella of Confiance.ia, Quebec's industrial consortium for the development of sustainable, ethical, secure and responsible AI. Additionally, in FY2024 CAE initiated Project Eco-Envol in collaboration with two other Quebec aerospace companies. The project aims to support sustainable approaches for complying with EU REACH, a European regulation that governs the use of chemicals in products, assist SMEs in developing their environmental compliance to promote sustainable aviation more effectively, and collaborate with CAE's suppliers to monitor and substitute Substances of Very High Concern in our products, thereby enhancing the performance and sustainability of our aerospace ecosystem. The Eco-Envol project aligns with CAE's sustainability strategy, which aims to reduce our environmental footprint and facilitate the transition to a low-carbon economy. Through partnerships with other aerospace stakeholders, CAE demonstrates its leadership and dedication to innovation and environmental stewardship. In FY2024, CAE has also announced a long-term and wide collaboration with the National Research Council (**NRC**) Canada to support research advancement in technology across Advanced Air Mobility (**AAM**), clean tech, climate change and more. The goal is to expand CAE's leadership role in the further development of air transport industries. As the first joint effort, CAE is working closely with the NRC on electric aircraft technology.

In FY2024, CAE completed a collaborative R&D project which was launched in FY2021 for the development of the "Aircraft for the digital and sustainable mobility of tomorrow." As part of this initiative, CAE and its partners have accelerated the technology development, the digital transformation, and knowledge for the advancement of future aircraft technologies, such as electric aircraft, hybrid propulsion, as well as advancing the development of associated infrastructures and services.

In FY2023, CAE completed its investments in one of its major innovation projects which was launched in 2019 and under which CAE announced that it would invest to stay at the forefront of the global training industry. CAE is constantly strengthening its products and services and leveraging digital technologies, ranging from big data to AI, cloud-computing, platforms, cybersecurity, virtual reality (**VR**) and mixed reality (**MR**). The initiative has enabled CAE to pioneer next generation training solutions for the civil aviation and defence and security sectors. Capitalizing on its expansive training network and robust data ecosystem, CAE has solidified its distinctive global presence. This strategic development underscores CAE's commitment to innovation and its pivotal role in shaping the future of training technologies. As a result of this project, CAE continues to maintain strong partnerships with the innovation ecosystem including OEMs, small/medium enterprises, and collaboration partners, such as universities, colleges and research centres that contribute to CAE's success.

In July 2021, CAE launched a major five-year R&D investment program that reinforces CAE's position as a global technology leader, creates high-value jobs and collaborations and contributes to a greener, safer and more inclusive world. We are investing $1billion in a transformation project to develop the technologies of tomorrow, including digitally immersive solutions using data ecosystems and AI in civil aviation and defence and security. As part of this project, CAE is developing dedicated end-to-end technology, operational support and training solutions tailored for AAM, as well as green light aircraft technologies. We are also partnering with Governments of Canada and Quebec to open up these new markets for CAE, Canada and Quebec. CAE will collaborate and co-develop technology solutions with small and medium companies and work with post-secondary institutions, research centres and STEM institutions to create Work Integrated Learning opportunities for students as well as scholarship positions.

Selected Innovation Highlights Across CAE's Business Segments

CAE's digital transformation, which started in FY2019, has continued at an accelerated pace with a clear strategic focus to achieve major digital transformation objectives across CAE's businesses. We have all the building blocks to be a unique provider of premium training services in aerospace and defence, by leveraging a trusted data lake and security-by-design engineering practices.

AI is revolutionizing the aviation industry, prompting CAE to delve into the transformative potential of a comprehensive data environment and AI deployment to boost productivity and drive revenue growth. We are convinced that AI can expedite opportunities that enhance process efficiency and maximize the utilization of assets and resources, thereby increasing training sales and generating cost savings. This is expected to have an impact across our business, including training services, hardware sales, airline flight operations solutions, project delivery and corporate services. Our commitment to safety remains paramount, and we are committed to traceable, safe and ethical use of this technology.

AI and big data for and from training services delivered by CAE remain high priority strategic transformation themes in the CAE R&D technology roadmap. The development of AI algorithms from the data generated during the pilot's training journey is at the centre of future aviation training marked by a paradigm shift towards data driven evidence and insights. The CAE AI & Analytics Platform (**CAE Rise™**) has been augmented with new AI algorithms providing 20+ distinct insights. This allows it to function as a co-pilot to flight instructors, increasing training efficacy and helping training centre supervisors to objectively calibrate the effectiveness of instructors by leveraging telemetric and biometric data. CAE is shaping the future of training through innovations introduced with CAE Rise™ allowing to improve training quality, objectivity and efficiency through the integration of untapped data-driven insights into the training journey of aviation professionals.

In FY2024, CAE developed its new CAE Connect digital platform and will continue to grow it as an omni-digital platform to connect all services and products together to be used by all users, whether they are CAE training centres employees (such as instructors, sales representatives and training centre management), customers or pilots to offer a frictionless experience between our customers and our operations. The strategy will harness the comprehensive data amassed across various platforms, granting users tailored access to pertinent information. This approach is designed to enhance asset utilization, streamline interactions, and refine operational efficiency, ultimately bolstering customer engagement and loyalty. It also uniquely positions us by establishing a strong foundation to become an eventual marketplace for training between airlines, OEMs and training providers.

In the future, between CAE Rise™ and CAE Connect, we are positioned to offer a complete training data digital thread from training to biometrics to flying data, depending on customer context and regulatory environment.

In FY2022, CAE announced CAE Prodigy™ an ambitious multi-year program to develop a new generation of image generators based on gaming technologies for its civil and defence and security markets. The objective was to dramatically increase the immersive cueing provided to pilots and operators, improving the synthetic environment density and realism of the training environment, all while processing digital content from industry standard formats. In FY2024, CAE became the premier aviation simulation and training organization to flawlessly incorporate a gaming engine into its full-flight simulator visual system, attaining Level D qualification – the most prestigious certification available in simulation. This milestone represents a pivotal advancement as we shift our efforts towards enhancing its functionalities to address the requirements of the defence and security market.

In FY2024, CAE sold and delivered multiple training systems from the CAE TRAX Academy, an advanced training continuum designed for more efficient military pilot training. This system incorporates the CAE Sprint VR trainer, utilizing cutting-edge MR technologies and CAE Rise™, for AI-driven synthetic coaching. The training system promotes self-paced learning within an immersive, high-fidelity virtual environment. Additional devices have been deployed to customers, and collaborative trials are underway to enhance the learning and training experience. This training system's core principles are also being applied to the burgeoning Electric Vertical Takeoff and Landing (eVTOL) training market, resulting in synergies and efficiencies in development and engineering efforts.

Also in FY2024, CAE secured the U.S. Army's Phase II rapid prototyping for the Soldier Virtual Trainer (**SVT**) program. This 20-month project will refine the Weapons Skills Development prototype, SVT Core system, and Intelligent Tutor. Following a competitive two-year selection, the SVT prototype, part of the Synthetic Training Environment, will enhance soldier-led training. The SVT program, under the Program Executive Office for Simulation, Training and Instrumentation, is set to replace outdated training systems, filling training gaps and preparing soldiers for multi-domain operations. CAE Defense & Security prioritizes these agile solutions to meet global customer needs and modernization goals.

CAE also performed a trial for the Japan Air Self-Defense Force (**JASDF**) in FY2024. The trial measured training efficacy and human performance of student pilots practicing take-off and landing maneuvers on CAE's Sprint Virtual Reality Training Devices. The trial with 30 JASDF cadets leveraged AI coaching and real-time feedback on maneuvers to demonstrate improved student proficiencies. CAE partnered with the Royal Netherlands Aerospace Centre (**NLR**) to assess the results and applied methodology of the trial. NLR evaluated the measured proficiency attributed to the use of biometric analysis and feedback in the trial. This assessment demonstrated the benefits of automated, real-time assessment of situational pilot performance as provided by CAE Rise™ and will inform future research efforts and help identify opportunities and potential improvements.

Innovation Across CAE's Operations

In FY2024, CAE continued major transformation projects to set the stage for a much larger future business and to transform our industry through digital technology innovation and thought leadership. We are pursuing several projects with the intent of optimizing our operating model, further digitalizing our processes, and ultimately generating significant and recurring economies of scale. CAE has introduced leading technologies into our processes and operations which includes the digitalization and optimization of our manufacturing, sourcing activities, and related IT infrastructure. CAE and its project partners are collaborating to develop capabilities to reduce production cycle times, minimize inventory, and improve product time-to-market.

CAE harnesses AI to streamline operations and enrich the user experience. A notable example is the Bids and Proposals AI Assistant, which has been launched to replicate the bid teams' writers' workflow, enhancing their productivity by generating relevant proposal sections from a database of past bids, leading to a 20% reduction in effort. In the financial department, the introduction of cognitive services for accounts payable has not only improved efficiency but also raised employee satisfaction significantly.

Looking ahead to FY2025, CAE has established a solid foundation for future AI applications, including corporate chatbots, content generation assistants for courseware, and advanced retrieval-augmented generation tools. Moreover, CAE has bolstered its machine learning operations infrastructure to create, deploy, and maintain sophisticated AI models. This includes a predictive model currently used in Business Aviation Training to determine the probability of customer cancellations, with additional models in the pipeline designed to predict training needs and enhance resource management.

4.5 Production and Services

CAE provides comprehensive solutions involving products and services to 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 simulation training and critical operations support solutions.

Production

CAE's manufacturing and assembly facilities are located in Montreal, Canada; Arlington and Tampa in the U.S.; and Stolberg, Germany.

Most of our manufacturing and integration activities for Civil and Defense are conducted at CAE's facilities in Montreal and Arlington, with some integration and update related work also being conducted at the Tampa and Stolberg sites. The Arlington and Tampa facilities conduct military systems integration and testing activities for simulation equipment destined for U.S. military-related contracts.

Investments such as manufacturing automation equipment, supply chain logistics tools and AI continue to improve CAE's manufacturing efficiency and agility as well as augment the accuracy of supply chain decision making.

Services

CAE's training and service facilities are based around the world. While our head office is located in Montreal, Canada, CAE has more than 240 sites and training locations in over 40 countries.

These locations include type rating training organizations offering pilot, maintenance and cabin crew training to business and commercial aircraft operators; ab-initio training centres which provide commercial pilot license training to aspiring pilots; Defense training centres offering academic, simulator and live flying training to produce qualified military aircrews; and several locations from which CAE offers technical support services to aviation training centres.

CAE provides a range of technical support services to Civil and Defense simulator operators, including parts replacement and repairs, installations, relocations, upgrades and technical training. Customers use CAE's technical services to answer questions, troubleshoot and receive advice. This extends to service visits by CAE's engineers to assist in customer maintenance and repair activities. Civil and Defense upgrade services are not restricted to CAE products as CAE can upgrade most other manufacturers' simulators. CAE services are offered either in conjunction with a sale of a simulator, through maintenance contracts or individual orders. CAE believes that our service business provides opportunities to influence the upgrade of installed full flight simulators while providing valuable insights into customer training needs.

Our Flight Operations Solutions segment offers a broad portfolio of software products to serve the flight operations of both business and commercial aviation covering operations control, crew & airport management, flight dispatch & meal/beverage planning capabilities, helping airlines and business aviation operators make optimal data-driven decisions across their entire flight operations.

In Defense, CAE provides a range of training support services such as contractor logistics support, maintenance services, classroom instruction and simulator training at over 145 sites around the world.

CAE also provides analytical and engineering services that leverage modeling and simulation and other advanced technologies to develop innovative solutions to our clients' most complex challenges. CAE offers clients a range of services and subject matter expertise, including human factors and human system integration, capability-based planning, advanced synthetic environments, cybersecurity, system and software engineering for Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance and electronic warfare systems, training systems and services, integrated information environments, and in-service support for fleet operations and maintenance.

4.6 Specialized Skills and Knowledge

CAE predominantly employs graduates in engineering and software development, as well as pilots, instructors, flight training experts, flight dispatching experts and airlines operation specialists. As an industry leader, CAE is able to train its staff in the technology and software required for simulation, aircraft equipment and airline software implementations. Flight instructors are typically recruited from the ranks of former airline or military pilots. Recognizing that engineering and software development talent is critical to CAE's innovation capability, CAE has a career framework to develop the talent pipeline within the CAE technology community.

Flight instructors are CAE's second-largest employee group after engineers and are the Company's face in front of customers. They are also key to ensuring we maintain our position as the industry's gold standard in training. We have implemented a number of initiatives to improve our instructor capabilities under our new training organization. The Global Leader in Training strategy enhances our value proposition in aviation training and engages instructors in achieving our vision. Our strategy was developed to recruit, develop and retain the best instructors and includes identifying the attributes of best-in-class instructors and setting the industry standard for instructor performance management to enhance our competitive edge. It will serve to elevate the profile of our instructors both internally and externally. This initiative also helps us build the right HR infrastructure around instructors and give them the tools they need to excel.

To optimize training leadership, CAE is investing in several key areas:

– Enhancing instructor performance – as a result, CAE is strengthening its instructor support infrastructure, including new functions, processes and technical support tools;

– Enhancing course offering by investing in courseware development and training delivery support tools;

– Training service innovation – CAE is continuing to invest in R&D to innovate its training service offering and is leveraging its engineering organization and capabilities to support strategic training solutions;

– Upskilling and reskilling of its workforce especially as emerging and disruptive technologies are adopted and implemented in CAE's processes, products, and services; and

– Creating meaningful work-integrated learning opportunities in support of future generations and CAE's future talent and workforce.

4.7 Competition

We sell our simulation products, training services and software solutions in highly competitive international markets and we expect such competition to intensify in the future. Section 10.1 "*Strategic risks*" of CAE's 2024 MD&A contains more information regarding competition as a risk factor for CAE.

4.8 Components

CAE deals with a variety of goods and services suppliers across our business segments. We secure data, parts, equipment and many other inputs from a wide variety of OEMs, subcontractors and other sources. CAE may lose its competitive advantage by failing to anticipate and/or react in an agile manner to known and unanticipated changes from existing and/or new OEMs. Also, we are not always able to find two or more sources for inputs that we require, and, in the case of specific aircraft simulators and other training equipment, significant inputs can only be sole-sourced. We may therefore be vulnerable to captive product pricing risk, delivery schedule delays, the financial condition of the sole-source suppliers and their willingness to deal with us.

Unpredictable shifts in supply and demand patterns on a global scale may cause delays in project delivery, increase project costs and result in declining bid performance. Advances in AI, digitalization and electrification, coupled with geo-political pressures may intensify global supply chain imbalances in certain raw materials and electronic commodities. In this evolving context, supply chain shortfalls and disruptions may hinder our ability to execute projects in a timely manner, support aftermarket

needs or finish projects, all of which could result in penalties or impacts on contract profitability and could have a material adverse effect on our business, financial condition and results of operations.

Global supply chain disruptions of electronics, computer chip and specialized components have been managed strategically with a focused diligence. This continuous governance process with new logistics parameters on inventory and product consolidation has protected CAE deliveries through the global disruptions and is enabling us to secure future delivery schedules.

Special sourcing strategies to protect the supply chain from unforeseen disruptions continue to be implemented (protected inventory, alternate second source, supplier audit on mitigation plans).

Please refer to Sections 10.1 "*Strategic risks*", 10.2 "*Operational risks*" and 10.6 "*Legal and regulatory risks*" of CAE's 2024 MD&A for more detail regarding OEM leverage and encroachment, supply chain disruptions, subcontractors, and third-party intellectual property as risk factors for CAE.

4.9 Intellectual Property

CAE relies, in part, on patent and industrial design registrations, trade secrets, trademarks, copyrights and contractual restrictions, such as confidentiality agreements and licences, to establish and protect its proprietary rights. CAE owns a comprehensive portfolio of patent and industrial design registrations that confers exclusive rights over high-value inventions and designs in strategic markets. As of March 31st,2024, the portfolio has 268 active registrations and 83 pending applications, excluding assets that were transferred to Madison Industries as part of the divestiture of our Healthcare business.

While many intellectual property assets are protected via patent and industrial design registrations, others are strategically protected as trade secrets or alternatively, via defensive disclosures to forestall anyone else from subsequently claiming them as their own.

CAE leverages its trademark portfolio to prevent third parties from eroding its brand equity, an asset that has grown in value over the years as the CAE has delivered excellence to its customers on a consistent basis.

CAE enters into agreements containing non-disclosure and confidentiality clauses with third parties and has similar provisions in place with employees to protect proprietary information, including trade secrets. CAE also has internal policies concerning both ethics and intellectual property which guide our employees in their dealings with CAE's intellectual property and that of third parties.

Please refer to Sections 10.3 "*Cybersecurity risks*", 10.6 "*Legal and regulatory risks*" and 10.9 "Technological risks" of CAE's 2024 MD&A for more detail regarding risks relating to cybersecurity, intellectual property and IT.

4.10 Cycles

In Defense, order levels may vary significantly from quarter to quarter because of the irregular timing of government orders and procurement processes.

The Civil segment's equipment sales to airlines are affected by the cycles of expansion and contraction of the entire commercial airline industry, as well as the availability of credit and general economic conditions. Demand for training services is to a lesser extent, also affected by the longer wave cycles of the commercial airline industry. The Civil segment also experiences a significant degree of seasonality; in times of peak travel (holiday periods, etc.) airline and business jet pilots are often too busy flying aircraft to attend training sessions.

In addition to all the above, business risks relating to our business and business strategy, our markets and the international scope of our business and our industries and macroeconomic conditions, as detailed in Section 10 "*Business risk and uncertainty*" of CAE's 2024 MD&A, each add their own elements of uncertainty pertaining to the Company's business cycles.

4.11 Employees

To support our growth strategies, objectives and normal business operations, CAE needs to maintain a sufficient, qualified and engaged workforce.

CAE employs approximately 13,000 employees; of these, approximately 2,300 are represented by unions and are covered by 54 collective agreements as of March 31, 2024. These collective bargaining agreements have varying terms and expiration dates. The Company maintains constructive relationships with its unions and strives to achieve mutually beneficial relationships while maintaining cost competitiveness.

CAE strives to have practices in place that drive employee development and engagement through employee communications, processes such as its Annual Talent and Leadership Review Process, a focus on Diversity, Equity and Inclusion and the assessment and related development plans for current and future leaders and an overall commitment to employees' physical and mental well-being. The Company invests in its employees through technical and leadership training, as well as project assignments and developmental career moves focused on supporting the employees overall work experience and career growth.

Our financial position, global brand reputation and ability to achieve strategic objectives may be negatively affected by a failure to manage attrition, to retain and integrate key personnel, to maintain an appropriately sized workforce to meet contract needs and to transition employees from completed projects to new projects or between internal business groups.

Please refer to Section 10.4 "*Talent risks*" of CAE's 2024 MD&A for more detail regarding risks relating to talent and labour as risk factors for CAE.

4.12 Sustainability

At CAE, sustainability is integral to who we are as a company and how we make a difference by making the world safer. Sustainability is embedded in our culture and built into our business model, decisions and actions. Our priority is to ensure the safety and well-being of our employees and customers, as well as creating long-term value for all our stakeholders where we are located. The Board has responsibility for reviewing and approving the Global Annual Activity and Sustainability Report, including the underlying sustainability roadmap, its objectives and progress, and performance data.

CAE's noble purpose, making the world safer captures how CAE makes a difference in the world and drives its decisions and actions. Making civil aviation safer, and supporting peace and democracy with allied forces preparedness, are both rooted in the principles of sustainability impact.

Over FY2024, many of our initiatives had a significant sustainability impact. Amongst those initiatives:

– We submitted our near-term (10 years) science-based reduction targets for approval by the Science Based Targets initiative (SBTi), which positions CAE on the net zero trajectory. These ambitious targets will guide our decarbonization journey and help us transition from carbon neutrality to net zero emissions by 2050. To achieve these targets, we have implemented a comprehensive decarbonization strategy with four value streams: aviation, sourcing, products and services, and buildings. We have made significant progress in each of these areas, such as electrifying our fleet, applying circular economy principles, optimizing our products for energy efficiency, integrating low-carbon technologies, and applying sustainable building standards. We have also engaged with our customers, suppliers, partners and industry peers to collaborate on solutions and best practices that support the decarbonization of the aerospace sector. As a member of the International Aerospace Environmental Group, we continue to act as a change agent and collaborate with our peers to accelerate the decarbonization of the aerospace and defence industry.

– Our sustainability strategy is also driven by our commitment to create social value and foster an inclusive and diverse culture. In FY2024, we increased the representation of women and people of colour among our senior leaders, executive officers and board of directors (38% of CAE's Board of Directors were women as of the end of FY2024), and received several awards and recognitions for our diversity, equity and inclusion efforts. We published our first Gender Equality report, established an Indigenous Advisory Board, launched several scholarships and programs to attract and develop talent from

underrepresented groups, and supported various community initiatives and causes. Our efforts to strengthen relations with Indigenous Peoples in Canada and around the world have been recognized through our first certification as a Progressive Aboriginal Relations Bronze company.

– We have also integrated sustainability into our core business processes and decision-making, ensuring that sustainability is not just an add-on, but a fundamental aspect considered from the start of how we operate and grow. We are progressively incorporating sustainability criteria into our requests for proposals, mergers and acquisitions, capital expenditures and research and development investments business processes. We have also strengthened our sustainability governance framework, policies and disclosure practices, and conducted an external readiness assessment for our scope 1 and 2 emissions data in preparation for external assurance and compliance with upcoming mandatory disclosure of sustainability data in financial reporting.

– In addition to building-in sustainability into our business processes and decision-making, we have also enhanced our sustainability-related risk management process as part of our broader Enterprise Risk Management framework which enables us to monitor and report on our sustainability risk profile and performance on a regular basis, and to ensure alignment and integration across our business units and functions. We also completed our initial climate change-related risk quantification analysis, using scenario analysis based on the guidance from the Task Force on Climate-related Financial Disclosures (**TCFD**). This analysis helped us identify and evaluate the materiality of the potential physical and transition risks and opportunities associated with different climate scenarios and their impact on our business, strategy and financial planning. The preliminary findings of this analysis will also help inform the design of our compliance plan with the upcoming applicable mandatory climate disclosure requirements in Canada and other jurisdictions where we operate.

We continue to support our customers in mitigating their own carbon footprint through the substitution of real flight training with full-flight simulators. In a pilot shortage context and with the development of Advanced Air Mobility, we are also helping them build their pilot pipeline through our contribution to the redefinition of who can participate in aviation. CAE leverages this opportunity to bring women and underrepresented groups into aviation through scholarships or donations.

CAE's commitment to the United Nations Global Compact and to the United Nations Women Empowerment Principles, as well as its considerations of sustainability factors, are translated in its policies and codes, including the following policies available on CAE's website:

– Anti-Corruption Policy;
– Code of Business Conduct;
– Conflicts Mineral Policy;
– Charitable Donations and Sponsorships Policy;
– Policy on Diversity, Equity and Inclusion in the Workplace;
– Environment, Health and Safety Policy;
– Gifts, Entertainment and Business Courtesies Policy;
– Human Rights Policy;
– Lobbying and Political Contributions Policy;
– Internal Reporting and Whistleblowing Policy; and
– Supplier Code of Conduct.

Our reporting references the Sustainability Standards of the Global Reporting Initiative (**GRI**). An independent institution, the GRI provides a globally accepted framework for sustainability reporting across companies and industries. CAE also reports to the Sustainability Accounting Standards Board according to two industry-specific standards, and to the Carbon Disclosure Project. We also provide TCFD reporting in our Global Annual Activity and Sustainability report. As the regulators further advance potential disclosure requirements, we are preparing for climate change risks financial reporting. CAE abides by the principles of the United Nations Global Compact. We continue to report on the United Nations Sustainable Development Goals (**SDGs**), on the five goals below to which our corporate strategy and business model are most aligned and by mapping these

goals to our material sustainability issues. We intend to continue the process of integrating the SDGs and to report on our progress accordingly:



Information about CAE's Environmental, Social and Governance strategy and initiatives can be found in our Global Annual Activity and Sustainability report available online at https://www.cae.com/sustainability/.

4.13 Foreign Exchange

Our operations are global with approximately 90% of our revenue generated from worldwide exports and international activities generally denominated in foreign currencies, mainly the U.S. dollar, the Euro and the British pound. Our revenue is generated approximately 50% in the U.S., and the balance in Europe and the rest of the world. Sections 8.3 "*Financial instruments*" and 10.5 "*Financial risks*" of CAE's 2024 MD&A contain more information regarding foreign currency as a risk factor for CAE.

4.14 Reorganizations

In FY2021, we announced that we would be taking additional measures to best serve the market by optimizing our global asset base and footprint and adjusting our business to correspond with the expected level of demand and the structural efficiencies that will be enduring. As a result of these measures, $117.1 million of restructuring expenses were incurred and reported during FY2021 and $54.7 million were incurred in FY2022. These expenses consist mainly of real estate costs, asset relocations and other direct costs related to the optimization of our footprint and employee termination benefits, which have been carried out throughout FY2021 and FY2022.

In February 2024, concurrent with the sale of our Healthcare business, we announced that we will further streamline our operating model and portfolio, optimize our cost structure and create efficiencies. For the year ended March 31, 2024, costs related to this restructuring program totalled $39.3 million and included $15.8 million of severances and other employee related costs and $16.8 million of impairment of intangible assets related to the termination of certain product offerings within the Civil Aviation segment. We expect to record approximately $10 million of additional restructuring expenses over the next two quarters.

Please refer to Section 5.3 "*Restructuring, integration and acquisition costs*" of CAE's 2024 MD&A for more information on restructuring, integration and acquisition costs.

5. BUSINESS RISK AND UNCERTAINTY

For a description of risk factors associated with CAE and its business, refer to Section 10 "*Business risk and uncertainty*" in CAE's 2024 MD&A, which section is incorporated into the AIF by this reference.

6. DIVIDENDS AND DISTRIBUTIONS

6.1 Dividends

Our Board has the discretion to set the amount and timing of any dividend. The Board reviews the dividend policy annually based on the cash requirements of our operating activities, liquidity requirements and projected financial position. CAE did not declare nor pay any dividend in FY2022, FY2023 and FY2024.

6.2 Repurchase and Cancellation of Common Shares

Share repurchases under the Company's NCIB program were suspended in April 2020, and as such no Common Shares were repurchased and cancelled under the NCIB in FY2022, FY2023 and FY2024.

On May 27, 2024, we announced the re-establishment of our NCIB to purchase 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 we complete purchases or elect to terminate the NCIB. Purchases under the NCIB will be made through the facilities of the TSX in accordance with the TSX's applicable policies or the facilities of the NYSE in compliance with applicable NYSE rules and policies and U.S. laws, or in such other manner as may be permitted under applicable stock exchange rules and applicable securities laws, including through alternative trading platforms and privately-negotiated, off-exchange block purchases. The price CAE will pay for any Common Shares is the market price at the time of acquisition, plus brokerage fees. In the case of off-exchange block purchases, purchases will be made at a discount to the prevailing market price in accordance with and subject to the terms of applicable exemptive relief. All Common Shares purchased pursuant to the NCIB will be cancelled.

7. CAPITAL STRUCTURE AND MARKET FOR SECURITIES

7.1 Share Capital Description

Our Board has the discretion to set the amount and timing of any dividend. The Board reviews the dividend policy annually based on the cash requirements of our operating activities, liquidity requirements and projected financial position. CAE did not declare nor pay any dividend in FY2022, FY2023 and FY2024.

Our authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares without par value, issuable in series. Each Common Share entitles the holder thereof to dividends if, as and when declared by our Board, to one vote at all meetings of holders of Common Shares and to participate, pro rata, with the holders of Common Shares, in any distribution of our assets upon liquidation, dissolution or winding-up, subject to the prior rights of holders of shares ranking in priority to Common Shares.

As at the close of business on March 31, 2024 and June 14, 2024 respectively, 318,312,233 and 319,266,100 Common Shares were issued and outstanding. There are no preferred shares issued and outstanding.

7.2 Common Share Trading Price and Volume

The outstanding Common Shares of CAE are listed and posted for trading on the TSX and on the NYSE under the symbol CAE.

CAE Inc. TSX Share Price Information - FY2024			
Month	**Min.**	**Max.**	**Total Volume**
April 2023	$30.30	$32.68	16,198,690
May 2023	$27.45	$31.05	19,617,564
June 2023	$27.45	$29.74	30,728,537
July 2023	$28.41	$30.15	12,731,694
August 2023	$29.25	$33.06	22,718,475
September 2023	$30.77	$33.88	14,982,326
October 2023	$28.12	$32.12	16,538,879
November 2023	$25.69	$31.91	33,480,292
December 2023	$26.85	$28.90	19,989,823
January 2024	$26.54	$28.76	18,231,721
February 2024	$24.75	$29.31	36,992,201
March 2024	$25.17	$28.14	18,592,315

CAE Inc. NYSE Share Price Information - FY2024			
Month	**Min. (USD)**	**Max. (USD)**	**Total Volume**
April 2023	$22.25	$24.32	2,846,291
May 2023	$20.19	$22.89	3,442,712
June 2023	$20.27	$22.47	6,716,880
July 2023	$21.46	$22.87	2,312,285
August 2023	$21.81	$24.42	5,438,097
September 2023	$22.76	$25.04	3,567,636
October 2023	$20.39	$23.62	5,743,960
November 2023	$18.89	$23.24	7,902,957
December 2023	$19.80	$21.83	6,312,114
January 2024	$19.76	$21.54	6,162,177
February 2024	$18.26	$21.77	15,589,198
March 2024	$18.51	$20.80	11,768,353

7.3 Prior Sales

For the 12-month period ending March 31, 2024, the Company has issued Common Shares and securities convertible into, or exercisable or exchangeable for, Common Shares as listed on the table set forth below:

Date of Issuance	Type of Security Issued	Reason for Issuance	Number of Securities Issued	Issuance / Exercise Price per Security
March 31, 2023 – March 31,2024	Common Shares	Exercise of options	405,943	$19.34 (weighted average price)
March 31, 2023 – March 31,2024	Stock options	Grant of options	735,274	$28.66 (weighted average price)
March 31, 2023 – March 31,2024	Performance share units (**PSUs**)	Grant of PSUs	812,603	$28.66 (weighted average price)
March 31, 2023 – March 31,2024	Restricted share units (**RSUs**)	Grant of RSUs	304,142	$28.66 (weighted average price)

7.4 Unsecured Senior Notes

In June 2023, CAE completed a private offering of $400.0 million of unsecured senior notes Series 1, bearing interest at 5.541% per annum, payable in equal semi-annual installments until maturity in June 2028 (the **Notes**). The net proceeds were used to repay certain indebtedness outstanding under the Company's revolving credit facility and for general corporate purposes.

The Notes are direct, senior unsecured obligations of the Company, and rank *pari passu* in right of payment with other series of unsecured unsubordinated notes that may be issued under the Trust Indenture between the Company and BNY Trust Company of Canada, as trustee (regardless of their series or actual dates or terms of issue) and with all other existing and future unsecured and unsubordinated indebtedness of the Company. The Notes are guaranteed, jointly and severally, on a senior unsecured basis, by certain of the Company's subsidiaries.

In connection with the offering, we obtained a credit rating for the Notes. See Section 7.5 "*Credit Ratings*".

7.5 Credit Ratings

As of June 14, 2024, CAE and the Notes are rated by one rating agency, S&P Global Ratings (**S&P**). Our credit ratings as of such date were as follows:

	S&P GLOBAL RATINGS	
	Rating	Outlook
Issuer Credit Rating	BBB-	Stable
Notes	BBB-	Stable

Our credit ratings are given the following credit characteristics by S&P, which are based on information made available to the public by S&P.

– S&P has 9 long-term issuer credit ratings and 10 long-term debt credit ratings, each ranging from AAA to D, and uses the addition of a plus (+) or minus (-) sign in categories AA to CCC to show relative standing within the rating categories. The absence of either a plus (+) or minus (-) designation indicates the rating is in the middle of the category.

– S&P's long-term issuer credit rating scale provides a forward-looking opinion about an issuer's overall creditworthiness. It focuses on the issuer's capacity and willingness to meet its financial commitments as they come due, and does not apply to any specific financial obligation. The BBB- issuer credit rating assigned to us by S&P indicates that we rank in the fourth highest of S&P's 9 issuer credit rating categories. An issuer that is rated in the BBB category by S&P is considered to have adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to weaken the issuer's capacity to meet its financial commitments.

– S&P's long-term debt credit rating scale provides a forward-looking opinion of the creditworthiness of an issuer with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program. It takes into consideration the likelihood of payment; that is, the capacity and willingness of the issuer to meet its financial commitment on an obligation in accordance with the terms of the obligation, among other factors. The BBB- long-term debt credit rating assigned by S&P to the Notes indicates that the Notes rank in the fourth highest of S&P's 10 long-term debt credit rating categories. A debt instrument that is rated in the BBB category by S&P is considered to exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the issuer's capacity to meet its financial commitments on the debt instrument.

– S&P uses "rating outlooks" to provide its assessment regarding the potential direction of a long-term credit rating over the intermediate term, which is generally up to two years for investment grade issuers and debt instruments. Rating outlooks fall into four categories: Positive, Negative, Stable and Developing. In determining a rating outlook, consideration is given to any changes in economic and/or fundamental business conditions.

These ratings provide investors with an independent measure of the credit quality of CAE and the Notes. However, they are not a recommendation to buy, sell or hold any securities of CAE, and they may be revised or withdrawn at any time by S&P. Ratings are determined by S&P based on criteria established from time to time by them, and they do not comment on market price or suitability for a particular investor. The credit ratings assigned by S&P may not reflect the potential impact of all risks related to CAE and the Notes or the value of the Notes. In addition, real or anticipated changes in the credit ratings assigned to us or our securities will generally affect the market value of the Notes.

As is common practice, S&P charged us for their rating services, which include annual monitoring fees for monitoring the Company and updating the ratings, in addition to one-time rating fees when the Notes were issued. We reasonably expect that such payments will continue to be made for rating services in the future. No additional payment was made to S&P for other services provided to us during the last two fiscal years.

8. DIRECTORS AND EXECUTIVE OFFICERS

The Directors of CAE are elected at each annual meeting of shareholders and hold office until the next annual meeting of shareholders or until their successors are elected or appointed. The names and municipalities of residence of the Directors and Executive Officers of CAE as of the date hereof, the positions and offices held by them in CAE, their respective principal occupations for the last five years, and the year in which they became a Director are set forth below.

More information concerning the nominees proposed for election as CAE's Directors may be found in the Management Proxy Circular dated June 14, 2024, in connection with our Annual Meeting of Shareholders to be held on August 14, 2024 (**Meeting**). All current members of the Board (except for Andrew J. Stevens) are nominees for election at the Meeting, and one additional individual is a nominee for election at the Meeting.

In addition to fulfilling all statutory requirements, the Board oversees and reviews: (i) the strategic and operating plans and financial budgets and the performance against these objectives; (ii) the principal risks and the adequacy of the systems and

procedures to manage these risks; (iii) the monitoring of the corporate governance system; (iv) the integrity and quality of internal controls and management information systems; (v) CAE's compliance with legal and regulatory requirements; (vi) management development and succession and retirement planning; (vii) appointment and compensation of senior officers and the compensation and benefit policies; (viii) diversity, equity and inclusion, data protection and privacy, health and safety (including aviation safety), environment and climate change, ethics and anti-corruption, human rights (including modern slavery), and corporate social responsibility matters; (ix) competencies, skills and personal qualities required for new directors (x) business development initiatives; (xi) the communications policies and activities, including shareholder communications; and (xii) the performance and effectiveness of each individual director, as well as the President and Chief Executive Officer.

The Committees of the Board are the Audit Committee, the Governance Committee and the Human Resources Committee.

8.1 Name and Occupation

CURRENT DIRECTORS

Name and Place of Residence, and Year First Became a Director	Principal Occupation
AYMAN ANTOUN Ontario, Canada (2022)	Mr. Antoun is a Corporate Director. He was General Manager, Americas at IBM until recently, which includes Canada, the United States and Latin America. He also was a member of IBM's Performance Team consisting of IBM's top 50 executives globally. Before taking this role in 2020, Mr. Antoun served as President of IBM Canada, and prior to assuming this role in 2018, he held various senior executive sales leadership roles in Canada and the United States spanning Global Technology Services, Systems & Technology Group, Education Industry, Business Partners, and Global Sales Transformation (1988 – 2018). Mr. Antoun graduated from the University of Waterloo with a Bachelor of Science in Electrical Engineering and is a graduate of the Executive Program in Financial Analysis Business Management and Strategic Planning of the Harvard Business School. Mr. Antoun is a member of the Audit Committee and the Human Resources Committee.
MARGARET S. (PEG) BILLSON New Mexico, U.S. (2015)	Ms. Billson is a veteran aviation business leader with over 35 years of experience leading technology rich companies and engineering sectors, including serving as the President & CEO, Aftermarket Services (2013 – 2016) and President, Legacy Support (2009 – 2012) of BBA Aviation; as President & General Manager of the Airplane Division (2005 – 2008) of Eclipse Aviation; and as the Vice-President & General Manager of Airframe Systems (2004 – 2005) at Honeywell International Inc. Ms. Billson has a Bachelor of Science degree in Aeronautical Engineering from Embry-Riddle Aeronautical University, and a Masters of Science degree in Engineering Aerospace from the California State University Long Beach. In recognition of her industry accomplishments, Ms. Billson has been inducted into Embry-Riddle Aeronautical University's Hall of Fame. Ms. Billson is also an instrument-rated pilot. Ms. Billson is the Chair of the Governance Committee and a member of the Human Resources Committee.

Name and Place of Residence, and Year First Became a Director	Principal Occupation
SOPHIE BROCHU Quebec, Canada (2023)	Ms. Billson is a veteran aviation business leader with over 35 years of experience leading technology rich companies and engineering sectors, including serving as the President & CEO, Aftermarket Services (2013 – 2016) and President, Legacy Support (2009 – 2012) of BBA Aviation; as President & General Manager of the Airplane Division (2005 – 2008) of Eclipse Aviation; and as the Vice-President & General Manager of Airframe Systems (2004 – 2005) at Honeywell International Inc. Ms. Billson has a Bachelor of Science degree in Aeronautical Engineering from Embry-Riddle Aeronautical University, and a Masters of Science degree in Engineering Aerospace from the California State University Long Beach. In recognition of her industry accomplishments, Ms. Billson has been inducted into Embry-Riddle Aeronautical University's Hall of Fame. Ms. Billson is also an instrument-rated pilot. Ms. Billson is the Chair of the Governance Committee and a member of the Human Resources Committee.
PATRICK DECOSTRE Quebec, Canada (2024)	Patrick Decostre has been the President and Chief Executive Officer of Boralex Inc. since December 2020. He held the position of Vice President and Chief Operating Officer between July 2019 and November 2020. Prior to that, he spent nearly 18 years developing a solid foundation for Boralex in Europe, where he initiated wind power development and directed all activities of Boralex's European subsidiaries. Mr. Decostre's first position with Boralex was as Manager of Boralex S.A., a subsidiary of Boralex, in 2001 and was promoted a few years later to the position of General Manager. Before joining Boralex, Mr. Decostre held different positions at Électricité de France for 6 years. Mr. Decostre is an engineering physicist who graduated from the École Polytechnique of Brussels, as well as a graduate of the Solvay Business School in Brussels in business administration.
ELISE EBERWEIN Arizona, U.S. (2022)	Ms. Eberwein is a Corporate Director who served as the Executive Vice President, People and Communications (2013 – 2022) of American Airlines, Inc. Prior to assuming this role, she was Executive Vice President, People, Communications and Public Affairs (2005 – 2013) of US Airways and Vice President, Corporate Communications (2003 – 2005) of America West Airlines. Ms. Eberwein also served in key executive roles with Frontier Airlines and Western Pacific Airlines. She began her aviation career as a flight attendant. Ms. Eberwein graduated from the Lindenwood University with a Bachelor of Arts in Mass Communications and earned an Executive MBA from Colorado State University. Ms. Eberwein is a member of the Audit Committee and the Human Resources Committee.

Name and Place of Residence, and Year First Became a Director	Principal Occupation
MARIANNE HARRISON Massachusetts, U.S. (2019)	Ms. Harrison is a Corporate Director. She was until recently President and Chief Executive Officer of John Hancock Life Insurance Company, the U.S. division of Toronto-based Manulife Financial Corporation. She also was a member of Manulife's Executive Leadership Team. Before taking this role in 2017, Ms. Harrison served as President and Chief Executive Officer of Manulife Canada, Manulife's Canadian Division. Prior to assuming this role in 2013, she held several leadership positions across the company, including President and General Manager for John Hancock Long-Term Care Insurance, and Executive Vice President and Controller for Manulife. Before joining Manulife, Ms. Harrison had been Chief Financial Officer of Wealth Management at TD Bank Group after holding various positions there (1998 – 2003); and Senior Manager at PwC after holding numerous other positions (1986 – 1998). Ms. Harrison also serves on the board of directors of the Boston Medical Center. Ms. Harrison graduated from the University of Western Ontario with a Bachelor of Arts in English and earned a Diploma in Accounting from Wilfrid Laurier University. She is a Chartered Accountant and in 2016 was elected a Fellow of the Profession. Ms. Harrison is the Chair of the Audit Committee and a member of the Governance Committee.
ALAN N. MACGIBBON, CPA, CA Ontario, Canada (2015)	Mr. MacGibbon is a Corporate Director and the Chairman of the Board. He served as Senior Counsel to Deloitte LLP Canada from June 2012 to December 2013. Prior to that, he was Managing Partner and Chief Executive (2004 – 2012) of Deloitte LLP Canada and served on the Executive and Global Board of Directors of Deloitte Touche Tohmatsu Limited during this term. Mr. MacGibbon also served as Global Managing Director, Quality, Strategy and Communications of Deloitte Touche Tohmatsu Limited (2011 – 2012). Mr. MacGibbon holds an undergraduate degree in Business Administration and an Honorary Doctorate degree from the University of New Brunswick. Mr. MacGibbon is a Chartered Professional Accountant, a Chartered Accountant and a Fellow of the Chartered Professional Accountants of Ontario. Mr. MacGibbon is the Chair of the Board of Directors. As a Chair of the Board, Mr. MacGibbon attends all Committee meetings.
MARY LOU MAHER Ontario, Canada (2021)	Ms. Maher was Canadian Managing Partner, Quality and Risk at KPMG Canada (2017 – 2021). She was also Global Head of Inclusion and Diversity of KPMG International for the same period. Ms. Maher held various executive and governance roles at KPMG Canada, including Chief Financial Officer, Chief Inclusion and Diversity Officer and Chief Human Resources Officer (1983 – 2017). During her many years at KPMG Canada, Ms. Maher created and developed KPMG Canada's first ever National Diversity Council and was the executive sponsor of pride@kpmg. Ms. Maher holds a Bachelor of Commerce degree from McMaster University and holds the designation of Fellow Chartered Professional Accountant of Ontario. Ms. Maher is Chair of the Human Resources Committee and a member of the Audit Committee.

Name and Place of Residence, and Year First Became a Director	Principal Occupation
FRANÇOIS OLIVIER Quebec, Canada (2017)	Mr. Olivier is a Corporate Director. He retired from Transcontinental Inc. in December 2021, where he was President and Chief Executive Officer since 2008. After joining the Printing Sector of Transcontinental Inc. in 1993, he rose through the ranks to ultimately take on the role of President of the Information Products Printing Sector, and then becoming Chief Operating Officer in 2007. Through the years, Mr. Olivier consolidated the Canadian printing industry and transformed the company by diversifying its assets into flexible packaging with strategic acquisitions. Under his leadership, Transcontinental Inc. has become Canada's largest printer, a leader in flexible packaging in North America, and a Canadian leader in its specialty media segments. Prior to joining Transcontinental Inc., Mr. Olivier worked as General Manager of Canada Packers (1988 – 1993). Mr. Olivier holds a Bachelor of Science from McGill University and is a graduate of the Program for Management Development at Harvard Business School. Mr. Olivier is a member of the Audit Committee and the Governance Committee
MARC PARENT, C.M. Quebec, Canada (2008)	Mr. Parent has been the President and CEO of CAE Inc. since October 2009. He joined the Company in February 2005 as Group President, Simulation Products, was appointed Group President, Simulation Products and Military Training & Services in May 2006, and then Executive Vice President and Chief Operating Officer in November 2008. Mr. Parent has over 35 years of experience in the aerospace industry. Before joining CAE, Mr. Parent held various positions with Canadair and within Bombardier Aerospace in Canada and the U.S. Mr. Parent is past Chair of the Board of Directors of the Aerospace Industries Association of Canada and of Aéro Montréal (Quebec's aerospace cluster). Mr. Parent is a graduate of Mechanical Engineering from Montreal's École Polytechnique and of the Harvard Business School's Advanced Management Program. He also was awarded an Honorary Doctorate by École Polytechnique. Mr. Parent is an active pilot holding an Airline Transport Pilot License from Transport Canada.
GENERAL DAVID G. PERKINS, USA (RET.) New Hampshire, U.S. (2020)	Gen. Perkins, USA (Ret.) served over 40 years in the US Army culminating as the Commander of the United States Army Training and Doctrine Command (TRADOC) (2014 – 2018), which is responsible for designing, acquiring, building and constantly improving the US Army, which is one of the largest, with over 1.2 million people, and most complex organizations in the world. Under his leadership TRADOC developed the Army's concept of Multi-Domain Operations which has become a driver for future changes in operations and training, not only in the US Military, but around the world. Gen. Perkins joined the US Army in 1980 and notably served as Commander, Combined Arms Center & Commandant, Command & General Staff College (2011 – 2014) and Commander, 4th Infantry Division (2009 – 2011). Gen. Perkins holds a Bachelor of Science degree from the United States Military Academy, a master's degree in Mechanical Engineering from the University of Michigan, and a master's degree in National Security and Strategic Studies from the Naval War College. Gen. Perkins is a member of the Governance Committee and the Human Resources Committee.

Name and Place of Residence, and Year First Became a Director	Principal Occupation
PATRICK M. SHANAHAN Washington, U.S. (2022)	Mr. Shanahan is President and Chief Executive Officer of Spirit AeroSystems Inc. since September 2023. He previously served as the 33rd U.S. Deputy Secretary of Defense. He also served as U.S. Acting Secretary of Defense (2019). After joining the Department of Defense (**DoD**), Mr. Shanahan helped lead the development of several key DoD policies and strategies. Mr. Shanahan previously served as the Senior Vice President, Supply Chain & Operations (2016 – 2017) at The Boeing Company. He previously worked as Senior Vice President of Commercial Airplane Programs (2008 – 2016), managing profit and loss for the 737, 747, 767, 777 and 787 programs and the operations at Boeing's principal manufacturing sites; as Vice President and General Manager of the 787 Dreamliner (2007 – 2008), leading the program during a critical development period; as Vice President and General Manager of Boeing Missile Defense Systems (2004 – 2007), overseeing the Ground-based Midcourse Defense system, Airborne Laser and Advanced Tactical Laser; and as Vice President and General Manager of Boeing Rotorcraft Systems (2002 – 2004), overseeing the Apache, Chinook and Osprey. Mr. Shanahan spent over three decades with The Boeing Company, as he joined in 1986. Mr. Shanahan is a National Academy of Engineering Member, Royal Aeronautical Society Fellow, Society of Manufacturing Engineers Fellow and American Institute of Aeronautics and Astronautics Associate Fellow. He served as a regent at the University of Washington for over five years. Mr. Shanahan holds a Bachelor of Science degree in Mechanical Engineering from the University of Washington, as well as a Master of Science and a Master of Business Administration from the Massachusetts Institute of Technology. Mr. Shanahan is a member of the Audit Committee and the Governance Committee.
ANDREW J. STEVENS Gloucestershire, UK (2013)	Mr. Stevens has operating experience globally in the aerospace and defence sector. Beginning with the Dowty Group, a leading British manufacturer of aircraft equipment (1976 – 1994), he joined Bowthorpe plc (1994 – 1996), Messier-Dowty as Managing Director then Chief Operating Officer (1996 – 2000), Rolls-Royce, where he served as Managing Director Defence Aerospace (2001 – 2003), and Cobham plc as a Board member where he served variously as Group Managing Director, Aerospace Systems, Chief Operating Officer and Chief Executive Officer (2003 – 2012). Mr. Stevens is a Chartered Engineer, with a 1st Class honour degree in Production Engineering from Aston University in Birmingham, England. He is a Fellow of the Royal Aeronautical Society, a Fellow of the Institution of Electrical Engineers and was awarded an Honorary Doctor of Science in 2013 from Aston University. Mr. Stevens is a member of the Governance Committee and the Human Resources Committee.

EXECUTIVE OFFICERS

In addition to Marc Parent, President and CEO, the other Executive Officers of the Company are:

Name and Place of Residence	Position Held Within the Company and Professional History
ANDREW ARNOVITZ Quebec, Canada	Senior Vice President, Investor Relations and Enterprise Risk Management since August 30, 2021, with CAE since 2001; formerly Senior Vice President, Strategy and Investor Relations.
SONYA BRANCO Quebec, Canada	Executive Vice President, Finance and Chief Financial Officer since May 2016, with CAE since 2008; formerly Vice President, Finance and Corporate Controller (2011-2016), and Director Planning and Forecasting (2008-2011). Ms. Branco is a Chartered Professional Accountant.
CARTER COPELAND Georgia, United States	Senior Vice President, Global Strategy since August 2021, with CAE since 2021; formerly President and co-founder of Melius Research (2017-2021). Mr. Copeland is a Charted Financial Analyst.
ABHA DOGRA Massachusetts, United States	Chief Technology and Product Officer since April 2023, with CAE since September 2022; formerly Chief Digital and Technology Officer (2022-2023). Previously North America Chief Information Officer and SVP of Global Digital Technology (2021-2022) and Chief Product Officer, Digital Products (2019-2021) at Schneider Electric; and also Division Vice President, Global Products Development at PTC (2018-2019), Chief Technology Officer and Vice President of Engineering at Akamai Technologies (2016-2018), and Chief Technology Officer at Iron Mountain (2013-2016).
HÉLÈNE V. GAGNON Quebec, Canada	Chief Sustainability Officer and Senior Vice President, Stakeholder Engagement since March 2022, with CAE since 2015; formerly Vice President, Public Affairs, Communications, Corporate Social Responsibility and Achieving Excellence System for Bombardier Aerospace (2006-2014).
JASON GOODFRIEND Virginia, United States	Interim President and Chief Operating Officer, Defense & Security, USA since April 2024; formerly Chief Operating Officer, Defense & Security (2023-2024). Previously General Manager of three Akima, LLC operating companies (2020-2023) and President of Illuminate Mission Solutions (2018-2020). Mr. Goodfriend also served in the US Army from 2000-2005 as a Military Intelligence Officer.
PASCAL GRENIER Quebec, Canada	Division President, Flight Solutions and Global Operations since May 2024; with CAE since 1996 occupying multiple functions; formerly Senior Vice President, Flight Services & Global Operations (2021-2024), Senior Vice President, Global Operations, Technologies & Innovation (2017-2021), Vice-President Global Engineering (2016-2017) and Director, Post Delivery Services (2013-2016).
MARK HOUNSELL Quebec, Canada	General Counsel, Chief Compliance Officer and Corporate Secretary, with CAE since February 2016; formerly Chief Legal Officer and Corporate Secretary of Aimia Inc. (2006-2016).
NICK LEONTIDIS Quebec, Canada	Chief Operating Officer since May 2024; previously Group President, Civil Aviation (2013-2024), Executive Vice-President, Strategy and Business Development (2009-2013), Executive Vice President Sales, Marketing and Business Development – Civil Training and Services (2005-2009).
BOB LOCKETT New Jersey, United States	Chief People Officer since May 2023; previously Global Chief Diversity & Talent Officer (2020-2023), Chief Talent Officer (2019-2020) and Division Vice-President, Human Resources (2016-2019) of ADP. Mr. Lockett also held executive roles at Harland Clarke Holdings, First Data, USAA, Limited Brands, Harrah's Entertainment, Frito Lay and The Lucas Group (1995-2016). Mr. Lockett also served in the US Army from 1986-1995 as a Field Artillery Officer and as an Operations Research/Systems Analyst.

All Directors and Executive Officers as a group (23 persons) beneficially owned or exercised control or direction, directly or indirectly, over 623,272 Common Shares representing 0.20% of the class as at June 14, 2024.

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

According to the information provided to us, none of the Directors or Executive Officers of CAE is at the date of this AIF, or within ten years prior hereto has been, a director, chief executive officer or chief financial officer or, regarding item (iii) below, an executive officer of a company which, while the person was acting in this capacity:

(i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(ii) was, after the person ceased to be a director, chief executive officer or chief financial officer, the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days as a result of an event which occurred while the director, chief executive officer or chief financial officer was acting in this capacity; or

(iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

9. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of our Common Shares in the United States is Computershare Trust Company, N.A. at its principal office in Canton, Massachusetts, and in Canada is Computershare Trust Company of Canada at its principal office in the City of Toronto, Ontario.

10. AUDIT COMMITTEE

10.1 Charter

The charter of CAE's Audit Committee is as set out inSchedule C.

10.2 Membership

The members of CAE's Audit Committee are:

- Ms. Marianne Harrison (Chair)
- Mr. Ayman Antoun
- Ms. Sophie Brochu
- Ms. Elise Eberwein
- Ms. Mary Lou Maher
- Mr. François Olivier
- Mr. Patrick M. Shanahan

Each of these members is independent and financially literate.

Marianne Harrison, Chair of the Audit Committee, is a Chartered Accountant with extensive financial expertise, cumulating many years of experience in the leadership positions of various financial institutions. Ms. Harrison served until recently as President and Chief Executive Officer of John Hancock Life Insurance Company and was also a member of the Executive Leadership Team of Manulife Financial Corporation. She previously acted as President and Chief Executive Officer of Manulife Canada, Manulife's Canadian Division, and had been Chief Financial Officer of Wealth Management at TD Bank Group. Ms. Harrison was elected a Fellow of the Profession, the highest designation for professional achievement conferred by the Chartered Professional Accountants of Ontario.

Ayman Antoun has significant strategic leadership and management experience developed during his 35 years at IBM holding various executive roles, including as President of IBM Americas covering all twelve major industries across fourteen countries. Mr. Antoun holds a Bachelor of Science, Electrical Engineering with Computer Science Minor from the University of Waterloo.

Sophie Brochu is a former President and Chief Executive Officer of two large energy companies, Hydro Québec and Énergir (formerly known as Gaz Métro), and has developed extensive leadership and management experience, government relations expertise and sustainability expertise throughout her career. She previously served as Vice-President, Business Development and in other executive roles at Énergir from 1997 to 2007. Ms. Brochu holds a Bachelor of Arts in Economics from Université Laval.

Elise Eberwein has significant strategy and leadership experience that she acquired while serving as the Executive Vice President, People and Communications of American Airlines, Inc., Executive Vice President, People, Communications and Public Affairs of US Airways and Vice President, Corporate Communications of America West Airlines. Ms. Eberwein also served in key executive roles with Frontier Airlines and Western Pacific Airlines. Ms. Eberwein graduated from the Lindenwood University with a Bachelor of Arts in Mass Communications and earned an Executive MBA from Colorado State University.

Mary Lou Maher has a strong business acumen and financial expertise in a variety of industries and has extensive board experience and an understanding of the role of the Board through direct Board participation and work as an audit partner that she acquired during her 38-year involvement with KPMG. Most recently, she was Canadian Managing Partner, Quality and Risk of KPMG Canada and Global Head of Inclusion and Diversity of KPMG International, but also served in various executive and governance roles, including Chief Financial Officer, Chief Inclusion and Diversity Officer and Chief Human Resources Officer. She is a Fellow of Chartered Professional Accountants of Ontario.

François Olivier has significant experience in driving profitable business growth through mergers and acquisitions and in managing large-scale manufacturing operations, in particular as the former President and Chief Executive Officer of publicly traded company Transcontinental Inc. from 2008 to 2021. Mr. Olivier holds a Bachelor of Science degree from McGill University and is a graduate of the Program for Management Development at Harvard Business School.

Patrick M. Shanahan served as the 33rd U.S. Deputy Secretary of Defense and as the U.S. Acting Secretary of Defense. Mr. Shanahan has over three decades of experience managing profit and loss for various programs and operations of The Boeing Company. Mr. Shanahan holds a Bachelor of Science degree in Mechanical Engineering from the University of Washington, as well as a Master of Science and a Master of Business Administration from the Massachusetts Institute of Technology.

10.3 Approval of Services

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of CAE's independent auditor. The Audit Committee must pre-approve any audit and non-audit services performed by PricewaterhouseCoopers LLP (**PwC**), or such services must be entered into pursuant to the policies and procedures established by the Committee. Pursuant to such policies, the Audit Committee annually authorizes CAE and our affiliates to engage the auditor for specified permitted tax, financial advisory and other audit-related services up to specified fee levels. The Audit Committee has considered and concluded that the provision of these services by PwC is compatible with maintaining PwC's independence. The Audit Committee's policy also identifies prohibited services that PwC is not to provide to CAE. In order to further support PwC's independence, the Audit Committee has set a policy concerning CAE's hiring of current and former partners and employees of PwC who were engaged on CAE's account in the recent years.

Fees Paid by CAE to PwC in FY2024

The following chart shows all fees paid to PwC by CAE and our subsidiaries in the most recent and prior fiscal year for the various categories of services (generic description only).

FEE TYPE	2024 ($ millions)	2023 ($ millions)
1. Audit services	6.7	6.5
2. Audit-related services	0.6	0.2
3. Tax services	0.4	0.4
Total	**7.7**	**7.1**

Audit fees are comprised of fees billed for professional services for the audit of CAE's annual Consolidated Financial Statements and services that are normally provided by PwC in connection with statutory and regulatory filings, including the audit of the internal controls over financial reporting as required by the Sarbanes-Oxley legislation.

Audit-related fees are comprised of fees relating to work performed in connection with CAE's acquisitions/divestitures, financings/prospectuses, translation and other miscellaneous accounting-related services.

Tax fees are mainly related to tax compliance, tax planning and tax advice.

11. INTERESTS OF EXPERTS

The auditors of the Company are PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, located at 1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1. PwC is independent of the Company within the meaning of the Code of ethics of chartered professional accountants (Quebec). PwC is a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (**PCAOB**) and is required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB.

12. ADDITIONAL INFORMATION

Additional information, including Directors' and Officers' remuneration and indebtedness, principal holders of CAE's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Management Proxy Circular dated June 14, 2024, in connection with CAE's Annual Meeting of Shareholders to be held on August 14, 2024.

Additional financial information, including comparative consolidated audited financial statements and MD&A, are provided in CAE's Annual Financial Report to the shareholders for the financial year ended March 31, 2024. A copy of such documents may be obtained from the Vice President, Public Affairs and Global Communications or the General Counsel, Chief Compliance Officer and Corporate Secretary of CAE upon request, and are available online on SEDAR+ at www.sedarplus.ca, as well as on CAE's website at www.cae.com.

In addition, CAE will provide to any person or company, upon request to the Vice President, Public Affairs and Global Communications or the General Counsel, Chief Compliance Officer and Corporate Secretary of CAE, the documents specified below:

(a) When the securities of CAE are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:

(i) one copy of this AIF together with one copy of any document, or the pertinent pages of any document, incorporated by reference;

(ii) one copy of CAE's comparative financial statements for our most recently completed financial year together with the accompanying report of the auditors and one copy of CAE's most recent interim financial statements for any period after the end of our most recently completed financial year;

(iii) one copy of the Management Proxy Circular in respect of our most recent annual meeting of shareholders that involved the election of Directors; and

(iv) one copy of any other documents which are incorporated by reference into a short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) At any other time, one copy of any other document referred to in clauses (i), (ii) and (iii) of paragraph (a) above, provided that CAE may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of CAE.

GLOSSARY

For the purposes of this Annual Information Form, the terms “we”, “us”, “our”, “Company” and “CAE” refer to CAE Inc. and where applicable, its subsidiaries. The following other defined terms have the meanings set out below:

“**AAM**” means Advanced Air Mobility

“**AI**” means artificial intelligence

“**AIF**” means the Annual Information Form

“**AirCentre**” means Sabre’s AirCentre airline operations portfolio

“**Annual Financial Report**” means the Annual Financial Report to Shareholders for the year ended March 31, 2024

“**Board**” means the Board of Directors of CAE Inc.

“**CAE**” means CAE Inc. and where applicable, its subsidiaries

“**CAE Rise™**” means CAE Real-time Insights and Standardized Evaluations, CAE’s AI & Analytics Platform

“**CBCA**” means the *Canada Business Corporations Act*

“**Civil**” means CAE’s Civil Aviation segment

“**Common Shares**” means CAE’s common shares

“**Company**” means CAE Inc. and where applicable, its subsidiaries

“**Consolidated Financial Statements**” means the Consolidated Financial Statements for the year ended March 31, 2024 and the notes thereto

“**Defense**” means CAE’s Defense and Security segment

“**DoD**” means U.S. Department of Defense

“**ESG**” means environmental, social and governance

“**Executive Officers**” means executive officers of CAE

“**FY2021**” means fiscal 2021, which refers to the period from April 1, 2020 to March 31, 2021

“**FY2022**” means fiscal 2022, which refers to the period from April 1, 2021 to March 31, 2022

“**FY2023**” means fiscal 2023, which refers to the period from April 1, 2022 to March 31, 2023

“**FY2024**” means fiscal 2024, which refers to the period from April 1, 2023 to March 31, 2024

“**GRI**” means the Global Reporting Initiative

“**Healthcare**” means CAE’s former Healthcare segment

“**IT**” means information technology

“**JASDF**” means the Japan Air Self-Defense Force

“**L3H MT**” means L3Harris Technologies’ Military Training business

“**Legacy Contracts**” refers to eight previously identified fixed-price legacy contracts, as further described in Section 6.2 *Defense and security*” of the MD&A of the financial report for the year ended March 31, 2024

“**MD&A**” means CAE’s Management’s Discussion and Analysis

“**Meeting**” means CAE’s Annual Meeting of Shareholders to be held on August 14, 2024

“**MR**” means mixed reality

“**NCIB**” means normal course issuer bid

“**NLR**” means the Royal Netherlands Aerospace Centre

“**Notes**” means the Company’s unsecured senior notes Series 1 issued in June 2023, bearing interest at 5.541% per annum, payable in equal semi-annual installments until maturity in June 2028

“**NRC**” means the National Research Council

“**NYSE**” means the New York Stock Exchange

“**OEM**” means the original equipment manufacturer

“**PCAOB**” means Public Company Accounting Oversight Board (United States)

“**PSUs**” means performance share units

“**PwC**” means PricewaterhouseCoopers LLP

“**R&D**” means research and development

“**RCAF**” means Royal Canadian Air Force

“**RPK**” means revenue passenger kilometers

“**RSUs**” means restricted share units

“**S&P**” means S&P Global Ratings

“**SDGs**” means United Nations Sustainable Development Goals

“**SkyAlyne**” means SkyAlyne Canada Limited Partnership

“**SVT**” means Soldier Virtual Trainer

“**TCFD**” means Taskforce on Climate-related Financial Disclosures

“**TRADOC**” means United States Army Training and Doctrine Command

“**TSX**” means the Toronto Stock Exchange

“**USD**” means United States dollars

“**VR**” means virtual reality

SCHEDULE A – SUBSIDIARIES AND OTHER INVESTMENTS

Set forth below are the names of all the direct and indirect subsidiaries and other investments of CAE as at March 31, 2024. Please note that all entities are wholly owned, except as mentioned.

Name of Subsidiary or other investment	Jurisdiction of Incorporation
Canada	
9595058 Canada Inc.	Canada
CAE BC ULC	British Columbia
CAE Digital Inc.	Canada
CAE International Holdings Limited	Canada
CAE Military Aviation Training Inc.	Canada
CAE Simulator Services Inc.	Quebec
CAE TSP Inc.	Canada
Pelesys Aviation Maintenance Training Inc.	British Columbia
Pelesys Learning Systems Inc	British Columbia
Presagis Canada Inc.	Canada
SkyAlyne Canada Inc. (50%)	Canada
SkyAlyne Canada Limited Partnership (50%)[2]	Ontario
United States	
CAE (US) Inc.	Delaware
CAE Aviation Academy Phoenix LLC.	Arizona
CAE Civil Aviation Training Solutions Inc.	Florida
CAE Flight Services USA, Inc.	Delaware
CAE Flight Solutions USA Inc.	Delaware
CAE North East Training Inc.	Delaware
CAE SimuFlite Inc.	Delaware
CAE US Capital LLC	Delaware
CAE US Capital Management LLC	Delaware
CAE US Finance GP LLC	Delaware
CAE US Finance LP[3]	Delaware
CAE US Management LLC	Delaware
CAE USA Inc.	Delaware
Embraer CAE Training Services, LLC. (49%)	Delaware
KVDB Flight Training Services, Inc. (49%)	Arizona
Merlot Aero Inc.	Delaware
Oxford Airline Training Center Inc.	Arizona
Parc U.S. Inc.	Delaware
Presagis USA Inc.	California
PTC Solutions JV, LLC (49%)	Wisconsin
Rotorsim USA LLC. (50%)	Delaware
SimCom Holdings Inc. (50%)	Delaware

[2] Refers as a partnership.
[3] Refers as a partnership.

SimCom Inc. (50%)	Delaware
SimCom International Inc. (50%)	Florida
SkyWarrior Flight Training LLC (37%)	Florida
Xebec Government Services, LLC (49%)	Delaware
Xebec Government Solutions, LLC (49%)	Delaware

Europe

Aegean CAE Flight Training S.A. (49%)	Greece
ARGE RME/CAE GmbH (50%) [4]	Germany
ARGE RME/CAE Austria (50%)[5]	Germany
Aviation Personnel Support Services Limited	Ireland
Aviation Training Northeast Asia B.V. (50%)	Netherlands
CAE (UK) plc	United Kingdom
CAE Academia de Aviacion España S.L.	Spain
CAE Aircrew Training Services plc (76.45%)	United Kingdom
CAE Aviation Training B.V.	Netherlands
CAE Beyss Grundstücksgesellschaft GmbH	Germany
CAE Center Amsterdam B.V.	Netherlands
CAE Center Brussels N.V.	Belgium
CAE Centre Copenhagen A/S	Denmark
CAE Centre Oslo AS.	Norway
CAE Centre Stockholm AB	Sweden
CAE CFT B.V.	Netherlands
CAE CFT Holdings B.V.	Netherlands
CAE Crew Solutions B.V.	Netherlands
CAE Engineering Korlátolt Felelősségű Társaság	Hungary
CAE Flight Services Austria GmbH	Austria
CAE Flight Services Poland Sp z.o.o.	Poland
CAE Flight Services Sweden AB	Sweden
CAE France SAS	France
CAE Global Academy Évora, SA.	Portugal
CAE GmbH	Germany
CAE Holdings BV	Netherlands
CAE Holdings Limited	United Kingdom
CAE Icelandair Flight Training ehf (33.35%)	Iceland
CAE Investments SARL	Luxembourg
CAE Luxembourg Acquisition SARL	Luxembourg
CAE Management Hungary Korlátolt Felelősségű Társaság	Hungary
CAE Oslo-Aviation Academy AS	Norway
CAE Oxford Aviation Academy Amsterdam B.V.	Netherlands
CAE Parc Aviation Jersey Limited	Jersey
CAE Services GmbH	Germany
CAE Services Italia, S.r.l.	Italy
CAE Servicios Globales de Instrucción de Vuelo (España) S.L.	Spain
CAE STS Limited	United Kingdom
CAE Training & Services Brussels NV	Belgium
CAE Training & Services UK Ltd.	United Kingdom
CAE Training Norway AS	Norway

[4] Refers as a partnership.
[5] Refers as a partnership.

CAE Verwaltungsgesellschaft mbH	Germany
CVS Leasing Limited (13.39%)	United Kingdom
Embraer CAE Training Services (NL) B.V. (49%)	Netherlands
Embraer CAE Training Services (U.K.) Limited (49%)	United Kingdom
ETOPS (AS) UK Limited	United Kingdom
ETOPS SAS	France
Flight Training Alliance GmbH (50%)	Germany
GCAT Flight Academy Germany GmbH	Germany
GCAT Flight Academy Malta Limited	Malta
Helicopter Training Media International GmbH (50%)	Germany
HFTS Helicopter Flight Training Services GmbH (25%)	Germany
Leonardo CAE Advanced Jet Training S.r.l. (50%)	Italy
Oxford Aviation Academy (Oxford) Limited	United Kingdom
Oxford Aviation Academy Europe AB	Sweden
Oxford Aviation Academy European Holdings AB	Sweden
Oxford Aviation Academy Finance Limited	Ireland
Oxford Aviation Academy Ireland Holdings Limited	Ireland
Oxford Aviation Academy Norway Holdings AS	Norway
Parc Aviation (UK) Limited	United Kingdom
Parc Aviation Engineering Services Limited	Ireland
Parc Aviation International Limited	Ireland
Parc Aviation Limited	Ireland
Parc Aviation Services Limited	Isle of Man
Parc Interim Limited	Ireland
Parc Selection Limited	Isle of Man
Presagis Europe (S.A.S.)	France
Rotorsim s.r.l. (50%)	Italy
Servicios de Instrucción de Vuelo, S.L. (80%)	Spain
Sim-Industries Production B.V.	Netherlands
Simubel NV (a CAE Training Center)	Belgium
SIV Ops Training, S.L. (80%)	Spain

Other

CAE Aircraft Maintenance Pty Ltd. (50%)	Australia
CAE Arabia LLC (50%)	Saudi Arabia
CAE Australia Pty Ltd	Australia
CAE Aviation Services Pte Ltd.	Singapore
CAE Aviation Training Australia Pty Ltd.	Australia
CAE Aviation Training Chile Limitada[6]	Chile
CAE Aviation Training International Ltd.	Mauritius
CAE Aviation Training Peru S.A.	Peru
CAE Bangkok Co., Limited	Thailand
CAE Brunei Multi-Purpose Training Center SDN BHD (60%)	Brunei
CAE Centre Hong Kong Limited	Hong Kong, China
CAE CFT Korea Ltd.	Korea
CAE Colombia Flight Training S.A.S.	Colombia

[6] Refers as a partnership.

CAE Defence Solutions Middle East LLC (50%)	Qatar
CAE El Salvador Flight Training S.A. de C.V.	El Salvador
CAE Flight & Simulator Services Sdn. Bhd.	Malaysia
CAE Flight and Simulation Services Korea Ltd. (50%)	Korea
CAE Flight Services New Zealand Limited	New Zealand
CAE Flight Services Uruguay S.A.	Uruguay
CAE Flight Training (India) Private Limited	India
CAE Flight Training Center Mexico, S.A. de C.V.	Mexico
CAE Kuala Lumpur Sdn. Bhd.	Malaysia
CAE India Private Limited	India
CAE Integrated Enterprise Solutions Australia Pty Ltd	Australia
CAE Japan Flight Training Inc.	Japan
CAE Maritime Middle East LLC (49%)	UAE
CAE Melbourne Flight Training Pty Ltd. (50%)	Australia
CAE Middle East L.L.C. (49%)	UAE
CAE Middle East Holdings Limited	UAE
CAE Middle East Pilot Services L.L.C. (49%)	UAE
CAE New Zealand Pty Limited	New Zealand
CAE Shanghai Company, Limited	Shanghai
CAE Simulation Technologies Private Limited	India
CAE Simulation Training Private Limited (50%)	India
CAE Singapore (S.E.A.) Pte Ltd.	Singapore
CAE South America Flight Training do Brasil Ltda	Brazil
CAE Vietnam Limited Liability Company	Vietnam
CAE-GAH Aviation Technology Services Co. Ltd. (80%)	China
CAE-LIDER Training Do Brasil Ltda. (50%)	Brazil
China Southern West Australia Flying College Pty Ltd (14.26%)	Australia
Emirates-CAE Flight Training (L.L.C.) (49%)	Dubai
ETOPS Aviation Services Malaysia Sdn Bhd	Malaysia
Flight Training Device (Mauritius) Limited	Mauritius
HATSOFF Helicopter Training Private Limited (50%)	India
International Flight School (Mauritius) Ltd.	Mauritius
JAL CAE Flight Training Co., Ltd. (50%)	Japan
Merlot Aero International Limited	New Zealand
National Flying Training Institute Private Limited (51%)	India
Oxford Aviation Academy (Australia) Pty Ltd. (50%)	Australia
Oxford Aviation Academy Holdings Pty Ltd. (50%)	Australia
Parc Aviation Japan Limited	Japan
Pegasus Uçus Egitim Merkezi A.S (50%)	Turkey
Philippine Academy for Aviation Training, Inc. (40%)	Philippines
RB Aero Development Services India Private Limited	India
Sabena Flight Academy – Africa, SA avec CA (34%)	Cameroon
SCFT Malaysia SDN. BHD. (50%)	Malaysia
SIM-Industries Brasil Administração de Centros de Treinamento Ltda	Brasil
Simulator Servicios Mexico, S.A. de C.V.	Mexico
Singapore CAE Flight Training Pte Ltd. (50%)	Singapore

INACTIVE

Name of Subsidiary or other investment	Jurisdiction of Incorporation
CAE Crewing Services Limited	Ireland
CAE Screenplates SA	France
Invertron Simulators plc	United Kingdom
Parc Aviation Training Limited	Ireland

SCHEDULE B – LOCATIONS OF MATERIAL SITES

The following sets out, by business segment, the locations of CAE's primary subsidiaries' and divisions' material sites as of the date of this AIF[7]:

Location	***Civil Aviation***	***Defense & Security***
Canada		
Cold Lake, Alberta		√
Comox, British Columbia		√
Gagetown, New Brunswick		√
Greenwood, Nova Scotia		√
Halifax, Nova Scotia		√
Mirabel, Quebec		√
Montreal, Quebec	√	√
Moose Jaw, Saskatchewan		√
North Saanich, British Columbia		√
Ottawa, Ontario		√
Petawawa, Ontario		√
Saint John's, Newfoundland	√	
Toronto, Ontario	√	
Trenton, Ontario		√
Vancouver, British Columbia	√	
Winnipeg, Manitoba		√
United States		
Altus, Oklahoma		√
Arlington, Texas	√	√
Avon, Connecticut	√	
Binghamton, NY		√
Chantilly, Virginia		√
Cheyenne, Wyoming		√
Chicopee, Massachusetts		√
China Lake, California		√
Colorado Springs, Colorado		√
Corpus Christi, Texas		√
Dallas/Fort Worth, Texas	√	√
Dothan, Alabama		√
Edwards AFB, California		√
Eglin AFB, Florida		√
Elmendorf AFB, Alaska		√
Fairchild AFB, Washington		√

[7] The list includes CAE's main offices, operations, training centres, and primary military base locations where we provide training support services worldwide. It does not

include sites with a limited number of employees or sites where we perform higher-level security programs.

Fort Liberty, North Carolina		√
Fort Novosel, Alabama		√
Fowler, Colorado		√
Glendale, Arizona		√
Goldsboro, North Carolina		√
Grand Forks, North Dakota		√
Hickam AFB, Hawaii		√
Hill AFB, Utah		√
Honolulu, Hawaii	√	
Irving, Texas	√	
Las Vegas, Nevada	√	
Little Rock, Arkansas		√
MacDill AFB, Florida		√
March ARB, California		√
Marietta, Georgia		√
Mesa, Arizona	√	√
Milwaukee, Wisconsin		√
Minneapolis, Minnesota	√	
Morristown, New Jersey	√	
Nellis AFB, Nevada		√
Oklahoma City, Oklahoma	√	√
Orlando, Florida	√	√
Pensacola, Florida		√
Phoenix, Arizona	√	
Pueblo, Colorado		√
Swanton, Ohio		√
Tampa, Florida		√
Tucson, Arizona		√
Tulsa, Oklahoma		√
Valparaiso, Florida		√
Washington, D.C.	√	√
United Kingdom		
Benson, United Kingdom		√
Burgess Hill, United Kingdom	√	√
Gatwick, United Kingdom	√	
Helston, United Kingdom		√
Moray, United Kingdom		√
Oxford, United Kingdom	√	
Rest of Americas		
Bogota, Colombia	√	
Lima, Peru	√	
Montevideo, Uruguay	√	
Santiago, Chile	√	
Sao Paulo, Brazil	√	
Toluca, Mexico	√	

Europe		
Amsterdam, Netherlands	√	
Barcelona, Spain	√	
Bordeaux, France	√	
Bremen, Germany		√
Brussels, Belgium	√	
Buchel, Germany		√
Buckeburg, Germany		√
Budapest, Hungary	√	√
Cazaux, France		√
Cognac, France		√
Copenhagen, Denmark	√	
Den Helder, Netherlands		√
Dublin, Ireland	√	
Eindhoven, Netherlands		√
Frankfurt, Germany	√	
Geilenkirchen, Germany		√
Gilze-Rijen, Netherlands		√
Ingolstadt, Germany		√
Jagel, Germany		√
Krakow, Poland	√	√
Malaga, Spain	√	
Madrid, Spain	√	√
Manching, Germany		√
Milano, Italy	√	
Nordholz, Germany		√
Oslo, Norway	√	
Prague, Czech Republic	√	
Reykjavik, Iceland	√	
Rome, Italy	√	
Sesto Calende, Italy	√	√
Shannon, Ireland	√	
Stockholm, Sweden	√	
Stolberg, Germany		√
Varese, Italy	√	√
Vienna, Austria	√	
Warsaw, Poland		√
Asia		
Abu Dhabi, United Arab Emirates	√	√
Beijing, China	√	
Chongquing, China	√	
Bangalore, India	√	√
Bandar Seri Begawan, Brunei	√	√
Bangkok, Thailand	√	
Doha, Qatar	√	√

Dubai, United Arab Emirates	√	√
Gondia, India	√	
Ho Chi Minh, Vietnam	√	
Hong Kong, Hong Kong	√	
Jakarta, Indonesia	√	
Kuala Lumpur, Malaysia	√	
Manila/Clark, Philippines	√	
New Delhi, India	√	
Pune, India	√	
Riyadh, Saudi Arabia		√
Seoul, South Korea	√	
Shanghai, China	√	
Singapore, Singapore	√	√
Tokyo, Japan	√	
Oceania and Africa		
Amberley, Australia		√
Auckland, New Zealand	√	√
Brisbane, Australia		√
Homebush, Australia (Sydney)		√
Johannesburg, South Africa	√	
Kingsford, Australia		√
Melbourne, Australia	√	
Nowra Hill, Australia		√
Oakey, Australia		√
Perth, Australia	√	√
Richmond, Australia		√

SCHEDULE C – AUDIT COMMITTEE CHARTER

CAE INC.

MEMBERSHIP AND RESPONSIBILITIES OF

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. GENERAL RESPONSIBILITIES

1.1 The Audit Committee (the "Committee") shall be a committee of the Board of Directors.

1.2 The Committee shall consist of three to seven directors (one of whom shall be the Chair of the Committee). All members of the Committee shall be independent directors, as determined by the Board taking into consideration applicable laws, regulations and other requirements and regulatory guidelines applicable to such determination. Each member shall annually certify to CAE Inc. ("CAE" or the "Company") as to his or her independence, in form compliant with the standards of independence set out by regulatory authorities, stock exchanges and other applicable laws, regulations and requirements. Each member shall be able to read and understand financial statements (statement of financial position, income statement, statement of cash flows) that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by CAE's consolidated financial statements, or shall become able to do so within a reasonable period of time after joining the Committee. At least one member shall qualify as a "financial expert" (as defined by applicable regulation) and therefore have past employment in finance, accounting or any other comparable experience or background providing financial expertise. The Committee composition, including the qualifications of its members, shall comply with the requirements of regulatory authorities, stock exchanges and other applicable laws, regulations and requirements, as such requirements may be amended from time to time.

1.3 The Chair of the Committee and its members shall be elected annually by the Board of Directors following recommendation of the Governance Committee and the Chair of the Board. If the designated Chair of the Committee is unable to attend a Committee meeting, the other Committee members present shall elect a replacement Chair for that meeting.

1.4 A majority of members of the Committee shall constitute a quorum.

1.5 The Committee shall work closely and cooperatively with such officers and employees of CAE, its auditors, and/or other appropriate advisors and with access to such information as the Committee considers to be necessary or advisable in order to perform its duties and responsibilities, as assigned by the Board of Directors and described herein.

2. REVIEW OF AUDITED FINANCIAL STATEMENTS

2.1 Review the annual audited consolidated financial statements and make specific recommendations to the Board of Directors. As part of this process the Committee should:

a) Review the appropriateness of the consolidated financial statements and any changes to the underlying accounting principles and practices;

b) Review the appropriateness of estimates, judgments of choice and level of conservatism of accounting alternatives;

c) Review quarterly IT and cybersecurity risks and elements impacting controls;

d) Review annually with management, external and internal auditors the identification, assessment and resulting mitigation strategy for financial risk, and the input of the integrated risk assessment into the annual audit planning cycle with subsequent quarterly updates by the Chief Financial Officer of any material changes with respect to financial risk assessment;

e) Oversee the review by internal audit of the existence and effectiveness of CAE's Enterprise Risk Management Policy framework;

f) Review annually the audited financial statements and actuarial valuation reports for the Supplementary Pension, Designated Executive Pension Plan, Employee Pension Plan, CAE MAT Inc. Employees and any other material Canadian pension plans;

g) Review annually the audited financial statements for the U.S. 401(K) Retirement Savings Plans and other material U.S. pension plans of the Company and its subsidiaries; and

h) Receive the summary of annual actuarial reports for defined benefit pension plans for information purposes given its financial nature.

3. ENGAGEMENT OF EXTERNAL AUDITORS

3.1 Recommend to the Board of Directors the appointment of the external independent auditors.

3.2 Review and approval of engagement letter. As part of this review the Committee reviews and recommends to the Board of Directors for its approval the auditors' fees for the annual audit. The Committee shall:

a) Oversee the Company's auditors' work in connection with the issuance of the annual audit report and quarterly review reports;

b) Approve the engagement of the external auditors for the audit, any audit-related services, advice with respect to taxation matters and other permitted services and fees for such services. Determine the envelope for the auditors preapproved services, including as to the type of work and dollars threshold. Approve on an *ad hoc* basis services outside the scope of the pre-approved services, if any;

c) Receipt of a written statement, at least annually, from the external auditors describing all relationships between the auditors and CAE that may impact the objectivity and independence of the auditors;

d) Review annually with the Board of Directors the independence of the external auditors and either confirm to the Board of Directors that the external auditors are independent, or recommend that the Board of Directors take appropriate action to satisfy itself of their independence; and

e) Review periodically (at least every second year) and approve CAE's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of CAE.

4. REVIEW AND DISCUSSION WITH EXTERNAL AUDITORS

4.1 Review with the external auditors and management the annual external audit plans and agenda, including objectives, scope, risk assessments, timing, materiality level and fee estimate.

4.2 Request and review an annual report prepared by the external auditors of recommendations to improve internal controls over financial reporting and corresponding management responses.

4.3 Regarding the auditor's internal quality-control procedures, review when applicable, material issues raised by the most recent internal quality-control review of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding 5 years, respecting one or more audits carried out by the auditors, and any steps taken to deal with any such issues.

4.4 Hold timely discussions with the external auditors regarding (i) critical accounting policies and practices, including future regulations and accounting standards, (ii) alternative accounting treatments of financial information within generally accepted accounting principles related to material items discussed with management, ramifications thereof and treatment preferred by the external auditor, and (iii) other material written communication between the external auditors and management, including the management letter and schedule of unadjusted differences.

4.5 Meet to review and discuss with the external auditors the annual audited consolidated financial statements and quarterly consolidated financial statements, including disclosures in management discussion and analysis.

4.6 Meet separately, quarterly, with the external auditors (including the engagement partner).

4.7 Make specific and direct inquiry of the external auditors' work relating to:

a) Performance of management involved in the preparation of consolidated financial statements;

b) Any restrictions on the scope of audit work;

c) The level of cooperation received in the performance of the audit;

d) The effectiveness of the work of internal audit;

e) Any unresolved material differences of opinion or disputes between management and the external auditors;

f) Any transactions or activities which may be illegal or unethical; and

g) Independence of the external auditors, including the nature and fees of non-audit services performed by the external audit firm and its affiliates.

4.8 Provide evaluation and regular feedback to the external auditors.

4.9 Conduct an annual performance assessment of the external auditors.

5. REVIEW AND DISCUSSION WITH INTERNAL AUDITORS

5.1 Review and approve the annual internal audit plan, including assessment of audit risk, planned activities, level and nature of reporting, audit resources/organization and any significant changes during the year.

5.2 Review the annual internal audit department budget.

5.3 Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting, including any significant deficiencies and significant changes in internal controls.

5.4 Set and communicate to the Director of Internal Audit high expectations and hold him/her and the department accountable for meeting them. Provide guidance on reported potential management lapses and evaluate the status and implementation of recommendations.

5.5 Meet separately, regularly, with the Director of Internal Audit.

5.6 Make specific and direct inquiry of the internal auditors' work relating to:

a) Any significant recommendations to improve financial, operational and compliance internal controls and corresponding management responses;

b) The level of independence of internal audit; and

c) Any material disagreement with management or scope or restrictions encountered in the course of the function's work.

5.7 Concurrent with the review of the annual Internal Audit Plan, discuss goals, evaluate the performance and review remuneration of the Director of Internal Audit.

5.8 Oversee at least once every five years an external review of the internal audit function and annual internal quality self-assessment program of the function.

6. REVIEW AND DISCUSSION WITH MANAGEMENT

6.1 Review and assess the adequacy and quality of organization, staffing and succession planning for accounting and financial responsibilities (including internal audit).

6.2 Review analyses prepared by management setting forth significant financial reporting issues and judgements made in connection with the preparation of the consolidated financial statements, including analyses of the effect of alternative GAAP methods on the consolidated financial statements. Such revision should also include:

a) Review with management the effect of regulatory and accounting initiatives, as well as off-balance-sheet structures, on the consolidated financial statements of the Company; and

b) Review and approve all related-party transactions with organizations determined as related from associations with Directors and Officers.

6.3 Discuss with management the annual audited consolidated financial statements and quarterly consolidated financial statements and the independent auditor, including CAE's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

6.4 Review quarterly with management the measurement of audit quality indicators and evaluate relevance of usefulness of established indicators.

6.5 Review, and have specific oversight responsibility for, CAE's:

a) Enterprise risk management policy framework;

b) Risk management activities for M&A integration and program execution; and

c) Global insurance coverage (including the Director & Officer Plan).

6.6 Review at least annually with management:

a) Capital structure and treasury appropriateness and efficiency; and

b) Tax compliance.

6.7 Oversee the establishment and maintenance by management of a system of processes and controls to ensure the integrity, accuracy and reliability of ESG disclosures to be included in financial reporting.

7. REVIEW AND DISCUSSION WITH THE HUMAN RESOURCES COMMITTEE

7.1 On request, provide support to the Human Resources Committee of the Board ("HR Committee") regarding management incentives and related topics (including compensation and appropriate use of corporate assets).

7.2 Support the HR Committee in its assessment of the incentive structure and whether it contributes to increased fraud or other risks.

8. REVIEW OF PUBLIC DISCLOSURE DOCUMENTS

8.1 Review all material public documents relating to CAE's financial performance, financial position or analyses thereon, including consolidated financial statements, MD&A, annual and interim earnings press releases and the Annual Information Form (AIF), prior to their release.

8.2 Review and monitor practices and procedures adopted by the Company to assure compliance with applicable listing requirements, laws, regulations and other rules, and where appropriate, make recommendations or reports to the Board of Directors.

8.3 Discuss CAE's financial information and earnings guidance provided to analysts and rating agencies.

8.4 Review major issues regarding accounting principles and financial report presentations, including any significant changes in the accounting principles to be observed in the preparation of the accounts of the Company and its subsidiaries, or in their application; major issues as to the Company's internal controls; and any special audit steps adopted in light of material control deficiencies.

8.5 Prepare/review reports of the Committee as may be required by any applicable securities regulatory authority to be included in the Company's management proxy circular or any other disclosure documents.

8.6 Review and approve the procedures in the Company's Disclosure Policy and annually verify that adequate procedures exist for the review of the disclosure of financial information derived from consolidated financial statements.

9. LEGAL AND COMPLIANCE

9.1 Review, with the Company's General Counsel, legal and compliance matters that could have a significant impact on the Company's consolidated financial statements.

10. HANDLING OF COMPLAINTS

10.1 Maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees regarding questionable accounting or auditing matters.

11. ANNUAL REVIEW

11.1 Review and assess the adequacy of its mandate annually, report to the Board of Directors thereon and recommend to the Board of Directors (for approval) any proposed changes.

11.2 Perform an annual evaluation of the performance of the Committee and report to the Chair of the Governance Committee of the CAE Board of Directors thereon.

12. ORIENTATION AND CONTINUING EDUCATION

12.1 Identify and participate where appropriate or necessary in continuing Committee education reading and/activities.

13. OTHER RESPONSIBILITIES

13.1 The Board may refer from time to time such matters relating to the financial affairs and risk management of the Company as the Board may deem appropriate.

14. MEETINGS

14.1 The Committee shall meet at such times as deemed necessary by the Board or the Committee and shall report regularly to the Board.

15. ENGAGEMENT OF PROFESSIONAL SERVICES

15.1 The Committee is authorized to engage independent counsel, and other advisors, as it determines necessary to carry out its duties. The Company shall provide for appropriate funding, as determined by the Committee, for such services.

Last updated on February 13, 2024

CAE INC.

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Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed, under the supervision of and with the participation of the President and Chief Executive Officer as well as the Executive Vice President, Finance and Chief Financial Officer, 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 Accounting Standards (IFRS), as issued by the International Accounting Standards Board (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.
Management has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2024 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of March 31, 2024.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2024 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

/s/ Marc Parent
President and Chief Executive Officer

/s/ Sonya Branco
Executive Vice President, Finance and Chief Financial Officer

May 27, 2024

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of CAE Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting
We have audited the accompanying consolidated statements of financial position of CAE Inc. and its subsidiaries (together, the Company) as of March 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions
The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition – Estimated costs to complete certain contracts

As described in Note 1 to the consolidated financial statements, the Company recognizes revenue from contracts with customers for the design, engineering, and manufacturing of training devices over time using the cost input method when management determines that these devices have a sufficient level of customization such that they have no alternative use and the Company has enforceable rights to payment for work completed to date. For the year ended March 31, 2024, a portion of total consolidated revenue of $4.3 billion related to revenue recognized from contracts with customers over time using the cost input method. For contracts where revenue is recognized over time using the cost input method, management applies judgment in estimating the total costs to complete the contract. The determination of the total costs to complete a contract is based on estimates that can be affected by several factors, including program management and execution difficulties, technological challenges, cost of materials, supply chain disruptions, inflationary pressures, availability of labour and problems with suppliers or subcontractors. The impact of any revisions in cost and revenue estimates is reflected in the period in which the need for a revision becomes known.

The principal considerations for our determination that performing procedures relating to revenue recognition for estimated costs to complete certain contracts is a critical audit matter are that there was judgment applied by management in estimating the total costs to complete the contracts. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the total costs to complete the contracts estimated by management.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process including controls over the estimation of the total costs to complete the contracts. These procedures also included, among others, testing management's process for estimating the total costs to complete the contracts for a sample of contracts, which included testing the completeness, accuracy and relevance of the data used in the estimate of the work performed to date as a proportion of the total work to be performed; and evaluating the reasonableness of total costs to complete the contracts by considering the factors identified by management as impacting those costs. Evaluating the reasonableness of total costs to complete the contracts involved assessing, on a sample basis, management's ability to reasonably estimate total costs to complete the contracts by comparing changes in estimated costs with the prior year estimate or estimated costs to complete the contracts for new contracts; performing a lookback analysis to assess variances between actual and estimated costs for completed contracts; and performing procedures to evaluate the timely identification of factors which may warrant a modification to a previous cost estimate.

Goodwill impairment assessment – Defense and Security cash-generating unit

As described in Notes 1, and 14 to the consolidated financial statements, the Company's consolidated goodwill balance was $2.0 billion as of March 31, 2024, of which $850.5 million relates to the Defense and Security cash-generating unit. Management conducts impairment tests for goodwill annually during the fourth quarter, or more frequently, if events or circumstances indicate the carrying value of goodwill may be impaired. Where the recoverable amount of a cash generating unit (CGU) to which goodwill has been allocated is lower than the CGU's carrying value, the related goodwill is impaired. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. In the fourth quarter, management used significant judgment in determining the recoverable amount of the Defense and Security CGU. The recoverable amount is based on the fair value less costs of disposal calculation using a discounted cash flow model, which includes the use of key assumptions including expected revenue growth, margins projections and the discount rate. As a result of the impairment test performed, the Company recorded a goodwill impairment charge of $568.0 million on the Defense and Security CGU.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Defense and Security CGU is a critical audit matter are (i) the significant judgment by management when developing the estimate of the recoverable amount for the Defence and Security CGU; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's key assumptions related to expected revenue growth, margins projections, and the discount rate; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's annual goodwill impairment assessment, including controls over the valuation of the Defense and Security CGU. These procedures also included, among others, (i) testing management's process for developing the estimate of the recoverable amount for the Defense and Security CGU; (ii) evaluating the appropriateness of the fair value less costs of disposal calculation; (iii) testing the completeness and accuracy of the underlying data used in the discounted cash flow model; and (iv) evaluating the reasonableness of the key assumptions used by management related to expected revenue growth, margins projections and the discount rate. Evaluating the reasonableness of the assumptions used by management related to expected revenue growth and the margins projections involved assessing whether the assumptions used by management were reasonable considering (i) the current and past performance of the Defense and Security CGU; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow model; and (ii) the reasonableness of the discount rate assumption.

/s/PricewaterhouseCoopers LLP

Montréal, Canada
May 27, 2024

We have served as the Company's auditor since 1991.

Consolidated Income Statement

Years ended March 31
(amounts in millions of Canadian dollars, except per share amounts)

	Notes	2024	2023 Reclassified (Note 1)
Continuing operations			
Revenue	4	**$ 4,282.8**	$ 4,010.6
Cost of sales		**3,128.3**	2,927.1
Gross profit		**$ 1,154.5**	$ 1,083.5
Research and development expenses		**149.8**	129.0
Selling, general and administrative expenses		**535.0**	501.5
Other (gains) and losses	5	**27.9**	(22.4)
Share of after-tax profit of equity accounted investees	4	**(72.2)**	(53.2)
Restructuring, integration and acquisition costs	6	**131.4**	62.6
Impairment of goodwill	14	**568.0**	—
Operating (loss) income		**$ (185.4)**	$ 466.0
Finance expense – net	7	**205.0**	173.6
(Loss) earnings before income taxes		**$ (390.4)**	$ 292.4
Income tax (recovery) expense	8	**(72.8)**	62.6
Net (loss) income from continuing operations		**$ (317.6)**	$ 229.8
Net income from discontinued operations	2	**21.3**	2.1
Net (loss) income		**$ (296.3)**	$ 231.9
Attributable to:			
Equity holders of the Company		**$ (304.0)**	$ 222.7
Non-controlling interests		**7.7**	9.2
(Loss) earnings per share attributable to equity holders of the Company			
Basic and diluted – continuing operations	9	**$ (1.02)**	$ 0.69
Basic and diluted – discontinued operations	9	**0.07**	0.01

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

Consolidated Statement of Comprehensive Income

Years ended March 31 *(amounts in millions of Canadian dollars)*	Notes	**2024**	2023 Reclassified (Note 1)
Net (loss) income from continuing operations		**$ (317.6)**	$ 229.8
Items that may be reclassified to net (loss) income			
Foreign currency exchange differences on translation of foreign operations		**$ (4.7)**	$ 325.3
Net gain (loss) on hedges of net investment in foreign operations		**8.0**	(112.6)
Reclassification to income of gains on foreign currency exchange differences		**(1.6)**	(6.4)
Net loss on cash flow hedges		**(11.9)**	(14.0)
Reclassification to income of losses (gains) on cash flow hedges		**5.0**	(5.5)
Income taxes	8	**(1.0)**	9.9
		$ (6.2)	$ 196.7
Items that will never be reclassified to net (loss) income			
Remeasurement of defined benefit pension plan obligations	20	**$ 16.0**	$ 74.2
Income taxes	8	**(4.2)**	(19.7)
		$ 11.8	$ 54.5
Other comprehensive income from continuing operations		**$ 5.6**	$ 251.2
Net income from discontinued operations	2	**$ 21.3**	2.1
Other comprehensive (loss) income from discontinued operations	2	**(7.0)**	5.8
Total comprehensive (loss) income		**$ (297.7)**	$ 488.9
Attributable to:			
Equity holders of the Company		**$ (305.4)**	$ 475.6
Non-controlling interests		**7.7**	13.3

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

Consolidated Statement of Financial Position

As at March 31
(amounts in millions of Canadian dollars)

	Notes	2024	2023
Assets			
Cash and cash equivalents		**$ 160.1**	$ 217.6
Accounts receivable	10	**624.7**	615.7
Contract assets	11	**537.6**	693.8
Inventories	12	**573.6**	583.4
Prepayments		**68.0**	64.1
Income taxes recoverable		**35.3**	48.3
Derivative financial assets		**7.2**	12.1
Total current assets		**$ 2,006.5**	$ 2,235.0
Property, plant and equipment	13	**2,515.6**	2,387.1
Right-of-use assets	15	**545.8**	426.9
Intangible assets	14	**3,271.9**	4,050.8
Investment in equity accounted investees		**588.8**	530.7
Employee benefits assets	20	**65.7**	51.1
Deferred tax assets	8	**233.3**	125.1
Derivative financial assets		**4.2**	9.2
Other non-current assets	16	**602.3**	620.6
Total assets		**$ 9,834.1**	$ 10,436.5
Liabilities and equity			
Accounts payable and accrued liabilities	17	**$ 1,035.3**	$ 1,036.7
Provisions	18	**42.6**	26.7
Income taxes payable		**31.1**	21.1
Contract liabilities	11	**911.7**	905.7
Current portion of long-term debt	19	**308.9**	214.6
Derivative financial liabilities		**28.8**	41.9
Total current liabilities		**$ 2,358.4**	$ 2,246.7
Provisions	18	**14.0**	20.1
Long-term debt	19	**2,765.4**	3,035.5
Royalty obligations		**74.4**	119.4
Employee benefits obligations	20	**98.7**	91.9
Deferred tax liabilities	8	**36.6**	129.3
Derivative financial liabilities		**2.9**	6.5
Other non-current liabilities	21	**181.1**	198.2
Total liabilities		**$ 5,531.5**	$ 5,847.6
Equity			
Share capital	9	**$ 2,252.9**	$ 2,243.6
Contributed surplus		**55.4**	42.1
Accumulated other comprehensive income	23	**154.0**	167.2
Retained earnings		**1,762.6**	2,054.8
Equity attributable to equity holders of the Company		**$ 4,224.9**	$ 4,507.7
Non-controlling interests		**77.7**	81.2
Total equity		**$ 4,302.6**	$ 4,588.9
Total liabilities and equity		**$ 9,834.1**	$ 10,436.5

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

Consolidated Statement of Changes in Equity

(amounts in millions of Canadian dollars, except number of shares)	Notes	Attributable to equity holders of the Company						Non-controlling interests	Total equity
		Common shares		Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total		
		Number of shares	Stated value						
Balances as at March 31, 2022		317,024,123	$ 2,224.7	$ 38.6	$ (31.2)	$ 1,777.6	$ 4,009.7	$ 76.9	$ 4,086.6
Net income		—	$ —	$ —	$ —	$ 222.7	$ 222.7	$ 9.2	$ 231.9
Other comprehensive income		—	—	—	198.4	54.5	252.9	4.1	257.0
Total comprehensive income		—	$ —	$ —	$ 198.4	$ 277.2	$ 475.6	$ 13.3	$ 488.9
Exercise of stock options	24	882,167	18.9	(2.6)	—	—	16.3	—	16.3
Equity-settled share-based payments expense	24	—	—	6.1	—	—	6.1	—	6.1
Transactions with non-controlling interests		—	—	—	—	—	—	(9.0)	(9.0)
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 (loss) income		—	$ —	$ —	$ —	$ (304.0)	$ (304.0)	$ 7.7	$ (296.3)
Other comprehensive (loss) income		—	—	—	(13.2)	11.8	(1.4)	—	(1.4)
Total comprehensive (loss) income		—	$ —	$ —	$ (13.2)	$ (292.2)	$ (305.4)	$ 7.7	$ (297.7)
Exercise of stock options	24	405,943	9.3	(1.5)	—	—	7.8	—	7.8
Equity-settled share-based payments expense	24	—	—	14.8	—	—	14.8	—	14.8
Transactions with non-controlling interests		—	—	—	—	—	—	(11.2)	(11.2)
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**

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

Consolidated Statement of Cash Flows

Years ended March 31

(amounts in millions of Canadian dollars)	Notes		**2024**		2023
Operating activities					
Net (loss) income		**$**	**(296.3)**	$	231.9
Adjustments for:					
Depreciation and amortization	4		**374.8**		342.2
Impairment of goodwill	14		**568.0**		—
Impairment (reversal) of non-financial assets – net			**57.3**		(2.4)
Share of after-tax profit of equity accounted investees			**(72.2)**		(53.2)
Deferred income taxes			**(166.5)**		10.4
Investment tax credits			**(14.8)**		(5.4)
Equity-settled share-based payments expense			**14.8**		6.1
Defined benefit pension plans			**8.3**		4.8
Other non-current liabilities			**(9.7)**		(15.9)
Derivative financial assets and liabilities – net			**(12.7)**		(3.7)
After-tax gain on disposal of discontinued operations	2		**(16.5)**		—
Other			**4.3**		8.1
Changes in non-cash working capital	22		**128.1**		(114.5)
Net cash provided by operating activities		**$**	**566.9**	$	408.4
Investing activities					
Business combinations, net of cash acquired	3	**$**	**—**	$	(6.4)
Proceeds from disposal of discontinued operations	2		**275.3**		—
Property, plant and equipment expenditures	13		**(329.8)**		(268.8)
Proceeds from disposal of property, plant and equipment			**4.0**		5.7
Advance payments for property, plant and equipment			**—**		(30.1)
Intangible assets expenditures	14		**(147.9)**		(126.4)
Net payments to equity accounted investees			**(43.9)**		(10.9)
Dividends received from equity accounted investees			**37.1**		40.9
Other			**(10.2)**		(4.7)
Net cash used in investing activities		**$**	**(215.4)**	$	(400.7)
Financing activities					
Net (repayment of) proceeds from borrowing under revolving credit facilities	19	**$**	**(396.7)**	$	44.5
Proceeds from long-term debt	19		**433.5**		31.2
Repayment of long-term debt	19		**(370.4)**		(161.0)
Repayment of lease liabilities	19		**(69.5)**		(83.4)
Net proceeds from the issuance of common shares			**7.8**		16.3
Other			**—**		(0.2)
Net cash used in financing activities		**$**	**(395.3)**	$	(152.6)
Effect of foreign currency exchange differences on cash and cash equivalents		**$**	**(13.7)**	$	16.4
Net decrease in cash and cash equivalents		**$**	**(57.5)**	$	(128.5)
Cash and cash equivalents, beginning of year			**217.6**		346.1
Cash and cash equivalents, end of year		**$**	**160.1**	$	217.6

The Company has elected to present a consolidated statement of cash flows that includes both continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 2.

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

Notes to the Consolidated Financial Statements

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

The consolidated financial statements were authorized for issue by the board of directors on May 27, 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.

On February 16, 2024, the Company announced the closing of the sale of its Healthcare business and presented the Healthcare segment as discontinued operations (Note 2).

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).

Basis of preparation

The material accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with Part I of the CPA Canada Handbook – Accounting and IFRS Accounting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except for the following items measured at fair value: contingent consideration, derivative financial instruments, financial instruments at fair value through profit and loss, financial instruments at fair value through other comprehensive income (OCI) and liabilities for cash-settled share-based arrangements.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. Control exists when the Company is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity. Subsidiaries are fully consolidated from the date control is obtained and they are no longer consolidated on the date control ceases. All intercompany accounts and transactions have been eliminated.

As at March 31, 2024, the Company's principal subsidiaries, including all subsidiaries representing individually more than 5% of total consolidated assets and 5% of consolidated revenue, are as follows:

Subsidiary	Country of incorporation	% equity interest
CAE USA Inc.	United States	100 %
CAE SimuFlite Inc.	United States	100 %

Joint arrangements

Joint arrangements are arrangements in which the Company exercises joint control as established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangement's returns. When the Company has the rights to the net assets of the arrangement, the arrangement is classified as a joint venture and is accounted for using the equity method. When the Company has rights to the assets and obligations for the liabilities relating to an arrangement, the arrangement is classified as a joint operation and the Company accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profits or losses and movements in OCI of the investee. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Company does not recognize further losses, unless it will incur obligations or make payments on behalf of the joint ventures. During the year ended March 31, 2024, the Company's unrecognized share of profit in joint ventures was $2.0 million (2023 – losses of $0.1 million). As at March 31, 2024, the cumulative unrecognized share of losses for these joint ventures was $10.3 million (2023 – $12.3 million) and the cumulative unrecognized share of comprehensive loss of these joint ventures was $9.3 million (2023 – $11.4 million).

Unrealized gains resulting from transactions with joint ventures are eliminated, to the extent of the Company's share in the joint venture. For sales of products or services from the Company to its joint ventures, the elimination of unrealized profits is considered in the carrying value of the investment in equity accounted investees in the consolidated statement of financial position and in the share in profit or loss of equity accounted investees in the consolidated income statement.

As at March 31, 2024, the Company does not have any investment in equity accounted investees representing individually more than 5% of total consolidated assets.

Business combinations

Business combinations are accounted for under the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company, if any, at the date control is obtained. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than share and debt issue costs incurred to issue financial instruments that form part of the consideration transferred, are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. If a business combination is achieved in stages, the Company remeasures its previously held interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in income.

Contingent consideration classified as a liability is measured at fair value, with subsequent changes recognized in income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is recorded within equity.

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting.

Non-controlling interests

Non-controlling interests (NCI) represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For interests purchased from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Financial instruments and hedging relationships

Recognition, classification and measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets and financial liabilities, including derivatives, are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. On initial recognition, all financial instruments are measured at fair value.

Financial instruments are subsequently measured based on their classification, which are:
- Financial instruments measured at amortized cost;
- Financial instruments measured at fair value through profit or loss (FVTPL);
- Financial instruments measured at fair value through other comprehensive income (FVOCI).

Financial assets

A financial asset is measured at amortized cost if it meets both of the following conditions:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in income when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost include accounts receivable and advances to a portfolio investment.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement. The Company's financial assets at FVTPL include cash and cash equivalents, and derivative instruments not designated as hedging instruments in a hedge relationship.

Financial assets at FVOCI are equity investments the Company has irrevocably elected to classify at FVOCI. This classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never transferred to income. Dividends are recognized in the income statement when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing a specific financial asset.

Financial liabilities
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments that are not designated as hedging instruments in a hedge relationship. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement. The Company's financial liabilities measured at FVTPL include contingent liabilities arising on business combinations and also derivative instruments not designated as hedging instruments in a hedge relationship.

Financial liabilities at amortized cost are subsequently measured using the EIR method. Gains and losses are recognized in income when the liabilities are derecognized as well as through the EIR amortization process. The Company's financial liabilities at amortized cost include accounts payables, accrued liabilities, long-term debt, including interest payable, and royalty obligations.

Transaction costs
Transaction costs that are directly related to the acquisition or issuance of financial assets and financial liabilities (other than those classified as FVTPL and FVOCI) are included in the fair value initially recognized for those financial instruments. These costs are amortized to income using the EIR method.

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Company has an unconditional and legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Hedge accounting
The Company uses derivative financial instruments, such as forward currency contracts, cross currency swaps and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. A hedging relationship qualifies for hedge accounting when it meets all of the following effectiveness requirements:
- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantities of:
  - The hedged item that the Company actually hedges; and
  - The hedging instrument that the Company actually uses to hedge that quantity of hedged item.

For the purpose of hedge accounting, hedges are classified as:
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment;
- Hedges of a net investment in a foreign operation;
- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.

Documentation
At the inception of a hedge relationship, the Company formally documents the designation of the hedge, the risk management objectives and strategy, the hedging relationship between the hedged item and hedging item and the method for testing the effectiveness of the hedge, which must be reasonably assured over the term of the hedging relationship and can be reliably measured. The Company formally assesses, both at inception of the hedge relationship and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items in relation to the hedged risk.

Cash flow hedge
The effective portion of changes in the fair value of derivative instruments that are designated and qualify as cash flow hedges is recognized in OCI, while the ineffective portion is recognized immediately in income. Amounts accumulated in OCI are reclassified to income in the period in which the hedged item affects income. However, when the forecasted transactions that are hedged items result in recognition of non-financial items, gains and losses previously recognized in OCI are included in the initial carrying value of the related non-financial assets acquired or liabilities incurred. The deferred amounts are ultimately recognized in income as the related non-financial items are derecognized or amortized.

Hedge accounting is discontinued prospectively when the hedging relationship no longer meets the criteria for hedge accounting, when the designation is revoked, or when the hedging instrument expires or is sold. Any cumulative gain or loss directly recognized in OCI at that time remains in OCI until the hedged item is recognized in income. When it is probable that a hedged transaction will not occur, the cumulative gain or loss that was recognized in OCI is recognized in income immediately.

Hedge of net investments in foreign operations
The Company has designated certain long-term debts, fixed to fixed cross currency principal and interest rate swap agreements and forward currency contracts as a hedging item of the Company's overall net investments in foreign operations whose activities are denominated in a currency other than the Company's functional currency. The portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in OCI and is limited to the translation gain or loss on the net investment.

Derecognition
Financial assets
A financial asset is derecognized when:
– The rights to receive cash flows from the asset have expired; or
– The Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company is involved in a program in which it sells interests in certain of its accounts receivable. The Company continues to act as a collection agent. Under the program, the Company transfers some significant risks and rewards of the accounts receivable it sells and retains others. The accounts receivable are derecognized up to an amount corresponding to the extent of the Company's continuing involvement, which represents its maximum retained exposure.

Impairment of financial assets
The Company uses the expected credit loss (ECL) model for calculating impairment of financial assets and recognizes expected credit losses as loss allowances for assets measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original or credit adjusted effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies the simplified approach permitted by IFRS 9 - *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the assets.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Foreign currency translation

Foreign operations
CAE Inc.'s consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which they operate. Determination of the functional currency may involve certain judgements to determine the primary economic environment in which the subsidiary operates. Assets and liabilities of subsidiaries that have a functional currency other than the Canadian dollar are translated from their functional currency to Canadian dollars at exchange rates in effect at the reporting date. Revenue and expenses are translated at the average exchange rates. The resulting translation adjustments are included in OCI.

When CAE Inc. and its subsidiaries have a long-term intercompany balance receivable from or payable to a foreign operation for which settlement is not planned in the foreseeable future, such item is considered, in substance, a part of the Company's net investment in that foreign operation. Gains or losses arising from the translation of those intercompany balances denominated in foreign currencies are also included in OCI.

Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in income, except when deferred in OCI as qualifying cash flow hedges and qualifying net investment hedges.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly-liquid investments with original terms to maturity of 90 days or less at the date of purchase

Accounts receivable

Receivables are initially recognized at fair value and are subsequently carried at amortized cost, net of credit loss allowances, based on expected recoverability. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recognized in income. Subsequent recoveries of amounts previously provided for or written-off are recognized in income.

Inventories

Raw materials are valued at the lower of average cost and net realizable value. Spare parts to be used in the normal course of business are valued at the lower of cost, determined on a specific identification basis, and net realizable value. Work in progress is stated at the lower of cost, determined on a specific identification basis, and net realizable value. The cost of work in progress includes material, labour and an allocation of manufacturing overhead, which is based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to generate revenue. In the case of raw materials and spare parts, the replacement cost is the best measure of net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost less any accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition or manufacturing of the item. The cost of an item of property, plant and equipment that is initially recognized includes, when applicable, the initial present value estimate of the costs required to dismantle and remove the asset and restore the site on which it is located at the end of its useful life. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Subsequent costs, such as updates on training devices, are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits will flow to the Company and the cost of the item can be reliably measured; otherwise, they are expensed.

A loss on disposal is recognized in income when the carrying value of a replaced item is derecognized, unless the item is transferred to inventories. If it is not practicable to determine the carrying value, the cost of the replacement and the accumulated depreciation calculated by reference to that cost will be used to derecognize the replaced part. The costs of day-to-day servicing of property, plant and equipment are recognized in income as incurred. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with its carrying amount, and are recognized within other gains and losses.

The different components of property, plant and equipment are recognized separately when their useful lives are materially different and such components are depreciated separately in income.

Land is not depreciated. The estimated useful lives, residual values and depreciation methods are as follows:

	Method	Depreciation rate/period
Buildings and improvements	Declining balance/Straight-line	2.5% to 10%/3 to 40 years
Simulators	Straight-line (10% residual)	Not exceeding 25 years
Machinery and equipment	Declining balance/Straight-line	20% to 35%/2 to 15 years
Aircraft	Straight-line (residual not exceeding 15%)	Not exceeding 25 years
Aircraft engines	Based on utilization	Not exceeding 3500 hours

As at March 31, 2024, the average remaining depreciation period for full-flight simulators is 11.2 years (2023 – 11.6 years).

Depreciation methods, useful lives and residual values are reviewed and adjusted, if appropriate, on a prospective basis at each reporting date.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company recognizes a right-of-use asset and liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If it is reasonably certain that the Company will obtain ownership by the end of the lease term through a purchase option, the leased asset is depreciated over its useful life. The depreciation periods, residual values (only applicable when it is reasonably certain that the Company will obtain ownership by the end of the lease term) and depreciation methods are as follows:

	Method	Depreciation period
Buildings and land	Straight-line	Not exceeding 50 years
Simulators	Straight-line (10% residual)	Not exceeding 25 years
Machinery and equipment	Straight-line	Not exceeding 7 years
Aircraft	Straight-line (residual not exceeding 15%)	Not exceeding 25 years
Aircraft engines	Based on utilization	Not exceeding 3500 hours

In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise of fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period that the Company is reasonably certain to exercise and penalties for early termination of a lease if the Company is reasonably certain to terminate.

The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate, the estimate of the amount expected to be payable under a residual value guarantee or the Company's assessment of whether it will exercise a purchase, renewal or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease modifications

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price that reflects the circumstances of the contract. Any other modification is not accounted for as a separate lease.

For a lease modification resulting in a decrease in the scope of the lease, the lease liability is remeasured, using a revised discount rate, to reflect the modified lease payments and the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. The difference between the reduction in the lease liability and the reduction in the corresponding right-of-use asset's carrying value is recognized in profit or loss.

For all other lease modifications, the lease liability is remeasured, using a revised discount rate, to reflect the modified lease payments, with a corresponding adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets

The Company recognizes the payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

Sale and leaseback transaction
In a sale and leaseback transaction, the transfer of an asset is recognized as a sale when the customer has obtained control of the underlying asset which is aligned with the Company's revenue recognition policy, otherwise the Company continues to recognize the transferred asset on the balance sheet and record a financial liability equal to the proceeds transferred. When the transfer of an asset satisfies the Company's revenue recognition policy to be accounted for as revenue, a partial recognition of the profit from the sale is recorded immediately after the sale, which is equivalent to the proportion of the asset not retained by the Company through the lease. The proportion of the asset retained by the Company through the lease is recognized as a right-of-use asset and the lease liability is measured as the present value of future lease payments.

The Company as a lessor
The Company determines, at lease commencement, whether each lease is a finance or an operating lease. Leases in which substantially all the risks and rewards of ownership are transferred are classified as finance leases. All other leases are accounted for as operating leases.

With regards to finance leases, the asset is derecognized at the commencement of the lease. The net present value of the minimum lease payments and any discounted unguaranteed residual values of leased assets are presented as investment in finance leases. Finance income is recognized over the term of the lease based on the effective interest method. Revenue from operating leases is recognized on a straight-line basis over the term of the corresponding lease.

When the Company subleases one of its leases, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Intangible assets

Goodwill
Goodwill is measured at cost less accumulated impairment losses, if any.

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the aggregate of the cost of an acquisition, including the Company's best estimate of the fair value of contingent consideration and the acquisition-date fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets of the acquiree at the acquisition date.

Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

Research and development (R&D)
Research costs are expensed as incurred. Development costs are also charged to income in the period incurred unless they meet all the specific capitalization criteria established in IAS 38, *Intangible Assets*. Capitalized development costs are stated at cost and net of accumulated amortization and accumulated impairment losses, if any. Amortization of the capitalized development costs commences when the asset is available for use as intended by management and is included in research and development expenses.

Other intangible assets
Intangible assets acquired separately are measured at cost upon initial recognition. The cost of intangible assets acquired in a business combination is the fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost, net of accumulated amortization and accumulated impairment losses, if any.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

Gains and losses on disposal of intangible assets are determined by comparing the proceeds from disposal with its carrying amount and are recognized within other gains and losses.

Configuration or customization costs in a cloud computing arrangement are also included when they meet the specific capitalization criteria.

Amortization
Amortization is calculated using the straight-line method for all intangible assets over their estimated useful lives as follows:

	Amortization period
Capitalized development costs	3 to 10 years
Customer relationships	3 to 20 years
Licenses	3 to 20 years
Technology, software and ERP	3 to 12 years
Other intangible assets	2 to 40 years

As at March 31, 2024, the average remaining amortization period for the capitalized development costs is 6.8 years (2023 - 6.3 years). Amortization methods and useful lives are reviewed and adjusted, if appropriate, on a prospective basis at each reporting date.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and assets that are not yet available for use are tested for impairment annually or at any time if an indicator of impairment exists.

The recoverable amount of an asset or a cash-generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. The recoverable amount is determined for an individual asset; unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases, the CGU that the asset belongs to is used to determine the recoverable amount.

For the purposes of impairment testing, the goodwill acquired in a business combination is allocated to CGUs or groups of CGUs, which generally corresponds to its operating segments or one level below, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Where the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is impaired. Any remaining amount of impairment exceeding the impaired goodwill is recognized on a pro rata basis of the carrying amount of the other assets in the respective CGU. Impairment losses are recognized in income.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals at each reporting date. An impairment loss is reversed if there is any indication that the loss has decreased or no longer exists due to changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Such reversal is recognized in income.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is one that takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs ceases when the asset is completed and ready for use as intended by management. All other borrowing costs are recognized as finance expense in income, as incurred.

Other assets

Restricted cash

The Company is required to hold a defined amount of cash as collateral under the terms of certain subsidiaries' external bank financing, government-related sales contracts and business combination arrangements.

Deferred financing costs

Deferred financing costs related to the revolving credit facilities, when it is probable that some or all of the facilities will be drawn down, and deferred financing costs related to sale and leaseback agreements are included in other assets at cost and are amortized on a straight-line basis over the term of the related financing agreements.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance expense. When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Estimated contract losses

Provisions for estimated contract losses are recognized as an onerous contract provision in the period in which it is determined that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Restoration and simulator removal
In certain situations, simulators are installed at locations that are not owned by the Company. In some of these cases, the Company has an obligation to dismantle and remove the simulators from these sites and to restore the location to its original condition. A provision is recognized for the present value of estimated costs to be incurred to dismantle and remove the simulators from these sites and restore the location. The provision also includes amounts relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure, these restoration costs are also capitalized.

Restructuring
Restructuring costs consist mainly of severances and other related costs.

Legal claims
The amount represents a provision for certain legal claims brought against the Company. The corresponding charge is recognized in income. Management's best estimate is that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at March 31, 2024.

Warranties
A provision is recognized for expected warranty claims on products sold based on historical experience of the level of repairs and returns. It is expected that most of these costs will be incurred in a period ranging from 1 to 3 years. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period of products sold.

Long-term debt
Long-term debt is recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognized in income over the period of borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In these cases, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity.

Revenue recognition
The Company recognizes revenue when it transfers the control of the promised goods or services to the customer. The transaction price is the amount of consideration to which the Company is expected to be entitled to in exchange for transferring promised goods or services. Variable consideration is included in the transaction price when it is highly probable that there will be no significant reversal of revenue in the future. Variable consideration is usually derived from sales incentives, in the form of discounts or volume rebates, and penalties. The Company identifies the various performance obligations of the contract and allocates the transaction price based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation.

The Company's performance obligations are satisfied over time or at a point in time depending on the transfer of control to the customer.

Sales of goods and services
Customized training devices
Revenue from contracts with customers for the design, engineering, and manufacturing of training devices are recognized over time using the cost input method when the Company determines that these devices have a sufficient level of customization such that they have no alternative use and the Company has enforceable rights to payment for work completed to date. The measure of progress toward complete satisfaction of the performance obligation is generally determined by comparing the actual direct costs incurred to date to the total estimated direct costs for the entire contract. When the Company determines that there is an alternative use for these devices, revenue is recognized at a point in time, when the customer obtains control of the device.

Standardized training devices
Revenue from contracts with customers for the manufacturing of standardized training devices is recognized at a point in time, when the customer obtains control of the device.

Training services
Revenue from the sale of training hours or training courses are recognized at a point in time, when services are rendered. For flight schools, cadet training courses are offered mainly by way of ground school and live aircraft flight. For both phases, revenue is recognized over time, using the time elapsed input method.

Product maintenance, support and updates
Revenue from the sale of product maintenance services and post-delivery customer support are recognized over time, using the time elapsed output method or costs incurred method. Revenue from update services, to enhance a training device currently owned by a customer, are recognized over time, using the cost input method.

Spare parts
Revenue from the sale of spare parts is recognized at a point in time, which is generally on delivery to the customer.

Software arrangements
Revenue from software arrangements that provide the Company's customers with the right to use the software without any significant development or integration work is recognized at a point in time, on delivery. Revenue from fixed-price software arrangements and software customization contracts that require significant production, modification, or customization of software is recognized over time using the cost input method. Revenue from Software as a service (SaaS) arrangements provide the Company's customers with the right to access a cloud-based environment that the Company provides and manages, the right to receive support and to use the software, however the customer does not have the right to control the software. Revenue from SaaS arrangements is recognized over time, using the time elapsed output method.

Other
Significant financing component
The Company accounts for a significant financing component on contracts of more than 12 months where timing of cash receipts and revenue recognition differ substantially. The transaction price for such contracts is adjusted for the time value of money, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

Non-monetary transactions
The Company may also enter into sales arrangements where little or no monetary consideration is involved. The non-monetary transactions are measured at the most reliable measure of the fair value of the asset or service given up or fair value of the asset or service received.

Contract modifications
Contract modifications, which consist of an increase in the scope or price of a contract, are accounted for as a separate contract when the additional goods or services to be delivered are distinct from those delivered prior to the contract modification and when the price increases by an amount of consideration that reflects its stand-alone selling price. Contract modifications are treated prospectively when the additional goods or services are distinct, but the price increase does not reflect the stand-alone selling price. When the remaining goods or services are not distinct, the Company recognizes an adjustment to revenue of the initial contract on a cumulative catch-up basis at the date of the contract modification.

Costs to obtain and to fulfill a contract
The Company recognizes incremental costs of obtaining a contract as an asset when they are expected to be recovered over a period of more than one year. The Company recognizes costs directly related to fulfilling a contract with a customer as an asset when they generate or enhance resources that will be used to satisfy the performance obligation in the future, and they are expected to be recovered. These assets are amortized on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer.

Right to invoice
If the Company has the right to invoice a customer in an amount that directly corresponds with the value of the Company's performance to date, then revenue can be recognized at the invoice amount.

Contract balances
The timing of revenue recognition, billing and cash collections results in accounts receivable, contract assets and contract liabilities on the consolidated financial position.

Contract assets are recognized when revenue is recognized in excess of billings or when the Company has a right to consideration and that right is conditional to something other than the passage of time. Contract assets are subsequently transferred to accounts receivable when the right to payment becomes unconditional.

Contract liabilities are recognized when payments received from customers are in excess of revenue recognized. Contract liabilities are subsequently recognized in revenue when the Company satisfies its performance obligations.

Contract assets and contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period and are classified as current based on the Company's normal operating cycle.

Employee benefits

Defined benefit pension plans

The Company maintains defined benefit pension plans that provide benefits based on length of service and final average earnings.

The defined benefit asset or liability comprises the present value of the defined benefit obligation at the reporting date less the fair value of plan assets out of which the obligations are to be settled. The defined benefit obligations are actuarially determined for each plan using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid and that have terms to maturity approximating the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The value of any employee benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan (asset ceiling test). Minimum funding requirements may give rise to an additional liability to the extent that they require paying contributions to cover an existing shortfall. Plan assets can only be used to fund employee benefits, are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information.

The Company determines the net pension cost of its Canadian defined benefit plans utilizing individual discount rates derived from the yield curve.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and the effect of any asset ceiling and minimum liability are recognized to OCI in the period in which they arise. Past service costs are recognized as an expense as incurred at the earlier of when the plan amendment or curtailment occurs and when the entity recognizes related termination benefits.

Defined contribution pension plans

The Company also maintains defined contribution plans for which the Company pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay the benefits to all employees. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in income as the services are provided.

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense, if the Company has made an offer of voluntary redundancy, based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Share-based payment transactions

The Company's share-based payment plans consist of two categories: equity-settled share-based payment plans comprised of the stock option plan, a restricted share units (RSU) plan and a performance share units (PSU) plan; and cash-settled share-based payments plans that include the stock purchase plan, deferred share units (DSU) plans, a restricted share units (RSU) plan and a performance share units (PSU) plan.

For both categories, the fair value of the employee services received in exchange is recognized as an expense in income. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Stock options

The cost of stock option transactions is measured at fair value using the Black-Scholes option pricing model. The compensation expense is measured at the grant date and recognized over the service period with a corresponding increase to contributed surplus. The cumulative expenses recognized for stock option transactions at each reporting date represents the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. For options with graded vesting, each tranche is considered a separate grant with a different vesting date and fair value, and each tranche is accounted for separately. When the stock options are exercised, the Company issues new common shares and the proceeds received net of any directly attributable transaction costs are credited to share capital.

Equity-settled RSU and PSU plans

The cost of RSU and PSU transactions is measured at fair value using the Company's share price on the date of the grant. The number of units expected to vest are estimated at the grant date and subsequently re-measured at the end of each reporting period. The resulting compensation expense, adjusted for expectations related to attainment of performance criteria, if any, and cancellations, is recognized over the vesting period, with a corresponding increase to contributed surplus, on a straight-line basis.

Cash-settled plans
For cash-settled plans, a corresponding liability is recognized. The fair value of employee services received is calculated by multiplying the number of units expected to vest with the fair value of one unit as of grant date based on the market price of the Company's common shares. The fair value of the stock purchase plan is a function of the Company's contributions. Until the liability is settled, the Company re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in income for the period. The Company has entered into equity swap agreements in order to reduce its earnings exposure related to the fluctuation in the Company's share price relating to the DSU plans, RSU plan and PSU plan.

Restructuring, integration and acquisition costs

Restructuring costs
Restructuring costs are part of a program that is planned and controlled by management, and materially changes either the scope of a business undertaken by the Company or the manner in which that business is conducted. Restructuring costs include costs directly related to significant exit activities, such as the sale or termination of a line of business, the closure of business locations or the relocation of business activities, significant changes in management structure, or fundamental reorganizations that have a material effect on the nature and focus of the Company's operations.

For the Company, restructuring costs include severances and other employee related costs, cost associated with the impairment (or reversal of impairment) of non-financial assets, including property, plant and equipment, right-of-use assets, intangible assets and inventory, and other direct costs associated with the closing or relocation of facilities, the closing of a product line or activity, or the downsizing of operations.

Restructuring costs are expensed when incurred, or when a legal or constructive obligation exists. A restructuring provision is only recognized when an obligating event has arisen.

Integration costs
Integration costs represent incremental costs directly related to the integration of acquired businesses in the Company's ongoing activities. This primarily includes expenditures related to regulatory and process standardization, systems integration and other activities.

Acquisition costs
Acquisition costs represent costs directly related to business combinations, successful or not. These costs include expenses, fees, commissions and other costs associated with the collection of information, negotiation of contracts, risk assessments, and the services of lawyers, advisors and specialists.

Current and deferred income tax

Income tax expense comprises current and deferred tax. An income tax expense is recognized in income except to the extent that it relates to items recognized in OCI or directly in equity, in which case it is recognized in OCI or directly in equity, respectively.

Current tax is the amount expected to be paid or recovered from taxation authorities on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable or receivable in respect of previous years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized using the financial position liability method, providing for temporary differences between the tax bases of assets or liabilities and their carrying amounts in the consolidated financial statements, except for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses. The recognition of deferred tax assets are limited to the amount which is probable to be realized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that a recognized deferred tax asset will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that an unrecognized deferred tax asset will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or if their tax assets and liabilities will be realized simultaneously.

Taxes on income in the interim periods are accrued by jurisdiction using the effective tax rate that would be applicable to expected total annual profit or loss of the jurisdiction.

Discontinued operations and assets and liabilities held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this measurement requirement.

A disposal group qualifies as discontinued operations if it is a component of the entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs at the earlier of disposal and when the operation meets the criteria to be classified as held for sale.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

Non-current assets, including those that are part of a disposal group, are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount of net income from discontinued operations in the consolidated income statement and a single amount of other comprehensive income from discontinued operations in the consolidated statement of comprehensive income.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of comprehensive income are reclassified as if the operation had been discontinued from the beginning of the comparative year.

Earnings per share

Earnings per share is calculated by dividing the net income for the period attributable to the equity holders of the Company by the weighted average number of common shares outstanding during the period. The diluted weighted average number of common shares outstanding is calculated by taking into account the dilution that would occur if the securities or other agreements for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date unless it is anti-dilutive. The treasury stock method is used to determine the dilutive effect of stock options and other equity-settled share-based payments. The treasury stock method is a method of recognizing the use of proceeds that could be obtained upon the exercise of stock options in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period. The Company's stock options, equity-settled restricted share units (RSU) and equity-settled performance share units (PSU) have a dilutive potential on common shares.

Government participation

Government contributions are recognized when there is reasonable assurance that the contributions will be received, and all attached conditions will be complied with by the Company. Government contributions related to the acquisition of non-financial assets are recorded as a reduction of the cost of the related asset while government contributions related to current expenses are recorded as a reduction of the related expenses.

Royalty obligations

The Company receives partial funding from government entities for eligible spending related to specified R&D projects. In exchange, the Company repays a percentage of certain revenue during specified years. The initial measurement of the royalty obligation is discounted using the prevailing market rates of interest, at that time, for a similar instrument (similar as to currency, term, type of interest rate, guarantees or other factors) with a similar credit rating and range from 7.5% to 8.5%. The difference between the funding received and the discounted value of the royalty obligation is accounted for as a government contribution. The current portion of the royalty obligation is included as part of accrued liabilities.

R&D obligations

The Company enters into loans with below market interest rates with government entities to fund a portion of eligible spending related to specified R&D projects. The initial measurement of the R&D obligation is discounted using the prevailing market rates of interest, at that time, for a similar instrument (similar as to currency, term, type of interest rate, guarantees or other factors) with a similar credit rating. The difference between the funding received and the discounted value of the R&D obligation is accounted for as a government contribution. R&D obligations are presented as part of the long-term debt.

Investment tax credits
Investment tax credits are deemed to be equivalent to government contributions. These government contributions are received for costs incurred in R&D projects. Investment tax credits expected to be recovered beyond 12 months are classified in Other non-current assets.

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 12 - *International Tax Reform — Pillar Two Model Rules*
In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amends IAS 12 - *Income taxes* to introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. This amendment to IAS 12 was adopted by the Company in the first quarter of fiscal 2024 and the exception has been applied retrospectively but no adjustments to previously reported figures were required.

Certain other amendments to accounting standards were applied for the first time on April 1, 2023, but did not have a significant impact on the consolidated financial statements of the Company.

New and amended standards not yet adopted by the Company
Certain amendments to accounting standards have been published that are not mandatory for March 31, 2024 reporting periods and have not been early adopted by the Company. These amendments are not expected to have a material impact on the consolidated financial statements of the Company in the current or future reporting periods and on foreseeable future transactions.

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.

For the Company, amendments to IAS 1 will be effective for the fiscal period beginning on April 1, 2024.

Use of judgements, estimates and assumptions
The preparation of the consolidated 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 financial statements, as well as the reported amounts of revenues and expenses for the period reported. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. Actual results could differ from those estimates. Changes will be reported in the period in which they are identified.

Business combinations
Business combinations are accounted for in accordance with the acquisition method as of the date control is transferred. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition, which may be estimated using an income, market or cost valuation method. Depending on the complexity of determining these valuations, the Company either consults with independent experts or develops the fair value internally by using appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

The judgments made in determining the estimated fair value assigned to the net identifiable assets acquired, as well as the estimated useful life of non-financial assets, could impact the net income of subsequent periods through depreciation and amortization, and in certain instances through impairment charges. The Company believes that the estimated fair values assigned to the net identifiable assets acquired are based on reasonable assumptions that a marketplace participant would use. While the Company uses its best estimates and assumptions to accurately value the net identifiable assets acquired at the acquisition date, estimates are inherently uncertain and subject to refinement.

During the measurement period, for up to 12 months following the acquisition, the Company records adjustments to the initial estimate of the net identifiable assets acquired based on new information obtained that would have existed as of the date of the acquisition. Any adjustment that arises from information obtained that did not exist as of the date of the acquisition will be recorded in the period the adjustment arises.

Development costs
Development costs are recognized as intangible assets and are amortized over their useful lives when they meet the criteria for capitalization. Forecasted revenue and profitability for the relevant projects are used to assess compliance with the capitalization criteria and to assess the recoverable amount of the assets.

Impairment of non-financial assets
The Company's impairment test for goodwill is based on estimates of the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated and uses valuation models such as the discounted cash flows model (level 3). Management applies significant judgement in developing the cash flow model, which includes the use of key assumptions including expected revenue growth, margin projections and the discount rates. Management also applies judgement when reflecting the impact surrounding current market view of risk and uncertainty and macroeconomic conditions. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Likewise, whenever property, plant and equipment and intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Revenue recognition
Transaction price allocated to performance obligations
In allocating the transaction price for contracts with multiple performance obligations, the Company estimates the stand-alone selling price using the expected cost plus a margin approach if they are not directly observable.

Determining the measure of progress of performance obligations satisfied over time
For contracts where revenue is recognized over time using the cost input method, the Company applies judgement in estimating the total costs to complete the contract.

The determination of the total costs to complete a contract is based on estimates that can be affected by several factors, including program management and execution difficulties, technological challenges, cost of materials, supply chain disruptions, inflationary pressures, availability of labour and problems with suppliers or subcontractors.

Management conducts monthly reviews of its estimated costs to complete as well as its revenue and margins recognized, on a contract-by-contract basis. The impact of any revisions in cost and revenue estimates is reflected in the period in which the need for a revision becomes known.

Defined benefit pension plans
The cost of defined benefit pension plans and the present value of the employee benefit obligations are determined using actuarial valuations. Actuarial valuations involve, amongst others, making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations and the cost of the defined benefit pension plans. In determining the appropriate discount rate, management considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Individual discount rates are derived from the yield curve and are used to determine the service cost and interest cost of the Canadian defined benefit pension plans at the beginning of the year. The present value of the employee benefit obligations for these Canadian plans is determined based on the individual discount rates derived from the yield curve at the end of the year. Other key assumptions for pension obligations are based, in part, on current market conditions. See Note 20 for further details regarding assumptions used.

Income taxes
The Company is subject to income tax laws in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. The determination of tax liabilities and assets involves uncertainties in the interpretation of complex tax regulations. The Company provides for potential tax liabilities based on the weighted average probability of the possible outcomes. Differences between actual results and those estimates could influence the income tax liabilities and deferred tax liabilities in the period in which such determinations are made.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against the losses that can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The recorded amount of total deferred tax assets could be altered if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize future tax benefits.

NOTE 2 – DISCONTINUED OPERATIONS

On February 16, 2024, the Company announced the closing of the sale of its Healthcare business to Madison Industries. The total consideration, after preliminary working capital and selling price adjustments, amounted to $293.4 million and is subject to further working capital adjustments based on closing accounts. The final determination of the working capital adjustment will be concluded during fiscal 2025.

The Healthcare business, which offers healthcare students and clinical professionals integrated physical, digital and virtual education and training solutions, is reported as discontinued operations.

The after-tax gain on disposal of the Healthcare business is as follows:

Consideration received in cash	$	275.3
Short-term holdback receivable		8.0
Long-term non-contingent receivable		10.1
Total consideration	**$**	**293.4**
Net assets disposed	$	269.6
Impairment of non-financial assets of the disposal group excluded from the sale		7.8
Reclassification to income of gains on foreign currency exchange differences from OCI		(2.5)
Transaction fees and other costs		12.2
Gain on disposal of discontinued operations before income taxes	$	6.3
Income tax recovery		(10.2)
After-tax gain on disposal of discontinued operations	**$**	**16.5**

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

		2024		2023
Revenue	**$**	**131.7**	$	192.7
Expenses		**132.7**		184.7
Operating (loss) income	**$**	**(1.0)**	$	8.0
Finance expense		**3.6**		4.1
(Loss) earnings before income taxes	**$**	**(4.6)**	$	3.9
Income tax (recovery) expense		**(9.4)**		1.8
Net income from discontinued operations before after-tax gain on disposal	**$**	**4.8**	$	2.1
After-tax gain on disposal of discontinued operations		**16.5**		—
Net income from discontinued operations	**$**	**21.3**	$	2.1

For the year ended March 31, 2024, depreciation and amortization of $6.1 million (2023 – $12.0 million) is included in net income from discontinued operations.

		2024		2023
Foreign currency exchange differences on translation of foreign operations	**$**	**0.9**	$	5.8
Reclassification to income of gains on foreign currency exchange differences		**(2.5)**		—
Income taxes		**(5.4)**		—
Other comprehensive (loss) income from discontinued operations	**$**	**(7.0)**	$	5.8

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

As part of the transaction, the major classes of assets and liabilities disposed were as follows:

Current assets	**$**	**112.3**
Property, plant and equipment		**6.9**
Right-of-use assets		**9.8**
Intangible assets, including goodwill of $120.4 million		**168.0**
Deferred tax assets		**26.5**
Other non-current assets		**14.5**
Assets disposed	**$**	**338.0**
Current liabilities		**37.1**
Long-term debt (lease liabilities), including current portion		**12.2**
Deferred tax liabilities		**1.4**
Other non-current liabilities		**17.7**
Liabilities disposed	**$**	**68.4**
Net assets disposed	**$**	**269.6**

As a result of the closing of the sale, royalty obligations related to the discontinued operations of $36.9 million previously presented as liabilities held for sale were converted into R&D obligations (Note 19).

The net cash flows from discontinued operations are as follows:

		2024		2023
Operating activities	**$**	**0.4**	$	3.6
Investing activities		**261.6**		(12.4)
Financing activities		**(1.3)**		(1.4)
Net cash flows provided by (used in) discontinued operations	**$**	**260.7**	$	(10.2)

NOTE 3 – BUSINESS COMBINATIONS

During the year ended March 31, 2023, the Company completed its assessment of the fair value of assets acquired and liabilities assumed of L3Harris Technologies' Military Training business (L3H MT) and Sabre's AirCentre airline operations portfolio (AirCentre) acquired in fiscal 2022.

Adjustments to the purchase price allocations of the L3H MT and AirCentre acquisitions resulted in increases of intangible assets of $27.0 million, other long-term liabilities of $6.4 million, and current liabilities of $4.0 million, and decreases of current assets of $11.9 million, other long-term assets of $2.6 million and deferred tax assets of $2.1 million.

During the year ended March 31, 2023, cash consideration of $6.4 million was paid for an acquisition realized in fiscal 2021.

NOTE 4 – 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. For the years ended March 31, 2024 and 2023, impairments and other gains and losses arising from significant strategic transactions or specific events consist of the impairment of goodwill (Note 14), the impairment of technology and other non-financial assets (Note 5) and the impairment reversal of non-financial assets following their repurposing and optimization (Note 6).

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	
	2024	2023	**2024**	2023	**2024**	2023
External revenue	**$ 2,435.8**	$ 2,166.4	**$ 1,847.0**	$ 1,844.2	**$ 4,282.8**	$ 4,010.6
Depreciation and amortization	**272.0**	243.4	**96.7**	86.8	**368.7**	330.2
Share of after-tax profit of equity accounted investees	**60.8**	47.0	**11.4**	6.2	**72.2**	53.2
Operating income (loss)	**442.0**	430.3	**(627.4)**	35.7	**(185.4)**	466.0
Adjusted segment operating income	**548.9**	485.3	**0.8**	53.1	**549.7**	538.4

Reconciliation of adjusted segment operating income is as follows:

	Civil Aviation		Defense and Security		Total	
	2024	2023	**2024**	2023	**2024**	2023
Operating income (loss)	**$ 442.0**	$ 430.3	**$ (627.4)**	$ 35.7	**$ (185.4)**	$ 466.0
Restructuring, integration and acquisition costs (Note 6)	**106.9**	52.0	**24.5**	10.6	**131.4**	62.6
Impairments and other gains and losses arising from significant strategic transactions or specific events:						
Impairment of goodwill (Note 14)	**—**	—	**568.0**	—	**568.0**	—
Impairment of technology and other non-financial assets (Note 5)	**—**	—	**35.7**	—	**35.7**	—
Impairment reversal of non-financial assets following their repurposing and optimization (Note 6)	**—**	3.0	**—**	6.8	**—**	9.8
Adjusted segment operating income	**$ 548.9**	$ 485.3	**$ 0.8**	$ 53.1	**$ 549.7**	$ 538.4

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:

	2024	2023
Civil Aviation	**$ 335.3**	$ 329.2
Defense and Security	**128.7**	53.6
Discontinued operations (Note 2)	**13.7**	12.4
Total capital expenditures	**$ 477.7**	$ 395.2

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:

	2024	2023
Assets employed		
Civil Aviation	**$ 6,131.8**	$ 5,852.4
Defense and Security	**2,869.3**	3,436.2
Assets not included in assets employed by segment	**833.0**	1,147.9
Total assets	**$ 9,834.1**	$ 10,436.5
Liabilities employed		
Civil Aviation	**$ 1,260.1**	$ 1,142.0
Defense and Security	**828.1**	871.2
Liabilities not included in liabilities employed by segment	**3,443.3**	3,834.4
Total liabilities	**$ 5,531.5**	$ 5,847.6

Products and services information

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

		2024		2023
Products	**$**	**1,495.3**	$	1,396.3
Training, software and services		**2,787.5**		2,614.3
Total external revenue	**$**	**4,282.8**	$	4,010.6

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 and deferred tax 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.

		2024		2023
External revenue				
Canada	**$**	**460.7**	$	361.2
United States		**2,076.3**		2,059.5
United Kingdom		**271.1**		251.1
Rest of Americas		**98.8**		86.1
Europe		**645.1**		559.7
Asia		**566.1**		603.7
Oceania and Africa		**164.7**		89.3
	$	**4,282.8**	$	4,010.6

		2024		2023
Non-current assets other than financial instruments, deferred tax assets and employee benefits assets				
Canada	**$**	**1,527.7**	$	1,641.2
United States		**3,623.5**		4,049.8
United Kingdom		**360.5**		383.9
Rest of Americas		**201.9**		180.8
Europe		**985.5**		982.4
Asia		**532.0**		519.8
Oceania and Africa		**108.9**		112.5
	$	**7,340.0**	$	7,870.4

NOTE 5 – OTHER (GAINS) AND LOSSES

		2024		2023
Impairment of technology and other non-financial assets	**$**	**35.7**	$	—
Net gain on foreign currency exchange differences		**(2.4)**		(12.6)
Remeasurement of royalty obligations		**(6.1)**		(7.4)
Remeasurement of contingent consideration arising on business combinations		**—**		2.6
Settlement gain on annuity purchase transaction (Note 20)		**(5.2)**		—
Other		**5.9**		(5.0)
Other (gains) and losses	**$**	**27.9**	$	(22.4)

Impairment of technology and other non-financial assets

During the fourth quarter of fiscal 2024, the Company considered the impact of general economic headwinds, the re-baselining of its Defense and Security business and the reduced pursuit of certain types of opportunities as part of its review of impairment indicators for non-financial assets. As a result of this review, the Company recorded impairment charges totaling $35.7 million in the Defense and Security segment, consisting of $31.4 million of internally developed intangible assets and $4.3 million of simulators included in property, plant and equipment.

NOTE 6 – RESTRUCTURING, INTEGRATION AND ACQUISITION COSTS

		2024		2023
Integration and acquisition costs	$	**79.9**	$	65.8
Severances and other employee related costs		**31.2**		2.0
Impairment of non-financial assets – net		**19.2**		1.8
Other costs		**1.1**		2.8
Impairment reversal of non-financial assets following their repurposing and optimization		**—**		(9.8)
Total restructuring, integration and acquisition costs	$	**131.4**	$	62.6

On February 16, 2024, concurrent with the sale of its Healthcare business, the Company announced that it will further streamline its operating model and portfolio, optimize its cost structure and create efficiencies. For the year ended March 31, 2024, costs related to this restructuring program totalled $39.3 million and included $15.8 million of severances and other employee related costs and $16.8 million of impairment of intangible assets related to the termination of certain product offerings within the Civil Aviation segment.

For the year ended March 31, 2024, restructuring, integration and acquisition costs associated with the fiscal 2022 acquisition of AirCentre amounted to $76.8 million (2023 – $48.9 million) and those related to the fiscal 2022 acquisition of L3H MT amounted to $12.9 million (2023 – $17.6 million).

For the year ended March 31, 2023, restructuring, integration and acquisition costs include gains on the reversal of impairment of an intangible asset of $5.8 million in the Defense and Security segment and property, plant and equipment of $3.0 million in the Civil Aviation segment, following their repurposing and optimization and new customer contracts and opportunities.

NOTE 7 – FINANCE EXPENSE – NET

		2024		2023
Finance expense:				
Long-term debt (other than lease liabilities)	$	**160.4**	$	141.6
Lease liabilities		**26.8**		17.6
Royalty obligations		**7.0**		7.6
Employee benefits obligations (Note 20)		**1.8**		3.3
Other		**33.5**		24.8
Borrowing costs capitalized		**(7.0)**		(7.9)
Finance expense	$	**222.5**		187.0
Finance income:				
Loans and investment in finance leases	$	**(11.0)**	$	(10.3)
Other		**(6.5)**		(3.1)
Finance income	$	**(17.5)**	$	(13.4)
Finance expense – net	$	**205.0**	$	173.6

NOTE 8 – INCOME TAXES

Income tax expense

The reconciliation of income taxes at Canadian statutory rates with the income tax (recovery) expense is as follows:

		2024		2023
(Loss) earnings before income taxes	**$**	**(390.4)**	$	292.4
Canadian statutory income tax rates		**26.50 %**		26.53 %
Income taxes at Canadian statutory rates	**$**	**(103.5)**	$	77.6
Effect of differences in tax rates in other jurisdictions		**7.4**		(4.0)
Non-deductible impairment of goodwill		**41.6**		—
Unrecognized tax benefits		**18.3**		0.9
Non-taxable revenues		**(4.1)**		(3.2)
Tax impact on after-tax profit of equity accounted investees		**(18.8)**		(13.0)
Prior years' tax adjustments		**(14.4)**		1.1
Other		**0.7**		3.2
Income tax (recovery) expense	**$**	**(72.8)**	$	62.6
Effective tax rate		**19 %**		21 %

The Company's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Company operates. The decrease is due to a change in the allocation of income in the jurisdictions it operates.

Significant components of the provision for the income tax (recovery) expense are as follows:

		2024		2023
Current income tax expense :				
Current year	**$**	**74.0**	$	49.9
Prior years' tax adjustments		**68.2**		0.7
Deferred income tax (recovery) expense:				
Tax benefit not previously recognized used to reduce the deferred tax expense		**18.3**		(2.2)
Origination and reversal of temporary differences		**(233.3)**		14.2
Income tax (recovery) expense	**$**	**(72.8)**	$	62.6

Tax court decision related to the Strategic Aerospace and Defence Initiative (SADI) program

During the year ended March 31, 2024, a tax court decision rendered in May 2023 related to the SADI program resulted in a current income tax expense of $57.4 million and a deferred income tax recovery of $61.9 million.

Deferred tax assets and liabilities

During the year ended March 31, 2024, movements in temporary differences are as follows:

		Balance beginning of year		Recognized in income		Recognized in OCI		Disposal of discontinued operations		Foreign currency exchange differences		**Balance end of year**
Non-capital loss carryforwards	$	98.2	$	59.4	$	—	$	(14.6)	$	(0.5)	**$**	**142.5**
Unclaimed research & development expenditures		162.3		13.5		—		(13.7)		—		**162.1**
Investment tax credits		(82.1)		5.8		—		2.1		0.4		**(73.8)**
Property, plant and equipment and right-of-use of assets		(114.8)		(41.0)		—		1.1		0.6		**(154.1)**
Intangible assets		(114.7)		64.6		—		10.5		0.6		**(39.0)**
Amounts not currently deductible		80.3		3.0		—		(6.9)		0.5		**76.9**
Government participation		(32.6)		118.7		—		0.3		—		**86.4**
Other		(0.8)		9.7		(10.6)		(3.9)		1.3		**(4.3)**
Net deferred tax assets (liabilities)	$	(4.2)	$	233.7	$	(10.6)	$	(25.1)	$	2.9	**$**	**196.7**

For the year ended March 31, 2024, deferred tax recovery of $18.7 million has been recorded in net income from discontinued operations.

During the year ended March 31, 2023, movements in temporary differences are as follows:

	Balance beginning of year	Recognized in income	Recognized in OCI	Business combinations	Foreign currency exchange differences	Balance end of year
Non-capital loss carryforwards	$ 96.9	$ (4.4)	$ —	$ —	$ 5.7	$ 98.2
Unclaimed research & development expenditures	86.6	75.8	—	—	(0.1)	162.3
Investment tax credits	(85.4)	3.3	—	—	—	(82.1)
Property, plant and equipment and right-of-use of assets	(82.7)	(22.9)	—	(2.8)	(6.4)	(114.8)
Intangible assets	(90.2)	(19.7)	—	—	(4.8)	(114.7)
Amounts not currently deductible	83.1	(4.7)	—	—	1.9	80.3
Government participation	(24.0)	(8.6)	—	—	—	(32.6)
Other	39.4	(29.2)	(9.8)	0.7	(1.9)	(0.8)
Net deferred tax assets (liabilities)	$ 23.7	$ (10.4)	$ (9.8)	$ (2.1)	$ (5.6)	$ (4.2)

For the year ended March 31, 2023, deferred tax recovery of $1.6 million has been recorded in net income from discontinued operations.

As at March 31, 2024, net deferred tax assets of $199.4 million (2023 – $81.5 million) were recognized in jurisdictions that incurred losses this fiscal year or the preceding fiscal year. Based upon the level of historical taxable income or projections for future taxable income, management believes it is probable that the Company will realize the benefits of these net deferred tax assets.

As at March 31, 2024, a deferred income tax liability on taxable temporary differences of $3,065.5 million (2023 – $2,866.1 million) related to investments in subsidiaries and interests in joint ventures has not been recognized, because the Company controls the timing of the reversal of the temporary differences and believes it is probable that the temporary differences will not be reversed in the foreseeable future.
The non-capital losses incurred in various jurisdictions expire as follows:

Expiry date	Unrecognized	Recognized
2025-2029	$ 28.8	$ 20.6
2030-2044	26.0	264.8
No expiry date	140.4	290.0
	$ 195.2	$ 575.4

As at March 31, 2024, the Company has $139.6 million (2023 – $115.5 million) of deductible temporary differences for which deferred tax assets have not been recognized. The Company also has $180.2 million (2023 – $19.9 million) of capital losses for which deferred tax assets have not been recognized with no expiry date.

Pillar Two
Pillar Two has been enacted or substantively enacted in certain jurisdictions in which the Company operates, effective for the Company's group financial year beginning April 1, 2024. The determination of the minimum tax impact will require significant interpretation of each country's new legislation to determine the ultimate tax liability for the group of companies as a whole. Based on its preliminary assessment of the 15% minimum tax, the Company expects an increase in the effective income tax rate, however, it is not expected to have a material impact on the Company's financial statements.

NOTE 9 – SHARE CAPITAL AND EARNINGS PER SHARE

Share capital

Authorized and issued shares

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, issuable in series.

The preferred shares may be issued with rights and conditions to be determined by the Board of Directors, prior to their issue. To date, the Company has not issued any preferred shares.

As at March 31, 2024, the number of common shares issued and fully paid was 318,312,233 (2023 – 317,906,290).

Earnings per share computation

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

	2024	2023
Weighted average number of common shares outstanding	**318,191,697**	317,660,608
Effect of dilutive stock options and equity-settled share-based payments	**—**	756,871
Weighted average number of common shares outstanding for diluted earnings per share calculation	**318,191,697**	318,417,479

As at March 31, 2024, stock options to acquire 6,459,922 common shares (2023 – 2,176,800) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

NOTE 10 – ACCOUNTS RECEIVABLE

Details of accounts receivable are as follows:

		2024		2023
Current trade receivables	**$**	**232.3**	$	280.6
Past due trade receivables				
1-30 days		**132.1**		68.4
31-60 days		**33.7**		28.3
61-90 days		**16.0**		16.8
Greater than 90 days		**59.7**		85.2
Total trade receivables	**$**	**473.8**	$	479.3
Investment in finance leases (Note 15)		**11.9**		13.5
Receivables from related parties (Note 31)		**58.2**		57.5
Other receivables		**101.7**		90.9
Credit loss allowances		**(20.9)**		(25.5)
Total accounts receivable	**$**	**624.7**	$	615.7

Changes in credit loss allowances are as follows:

		2024		2023
Credit loss allowances, beginning of year	**$**	**(25.5)**	$	(27.9)
Additions		**(8.3)**		(3.2)
Amounts charged off		**9.4**		4.7
Unused amounts reversed		**2.2**		1.9
Disposal of discontinued operations (Note 2)		**0.9**		—
Foreign currency exchange differences		**0.4**		(1.0)
Credit loss allowances, end of year	**$**	**(20.9)**	$	(25.5)

NOTE 11 – BALANCE FROM CONTRACTS WITH CUSTOMERS

Net contract liabilities are as follows:

		2024		2023
Contract assets - current	**$**	**537.6**	$	693.8
Contract assets - non-current (Note 16)		**41.6**		41.9
Contract liabilities - current		**(911.7)**		(905.7)
Contract liabilities - non-current (Note 21)		**(99.8)**		(94.0)
Net contract liabilities	**$**	**(432.3)**	$	(264.0)

During the year ended March 31, 2024, the Company recognized revenue of $712.6 million (2023 – $632.2 million) that was included in the contract liability balance at the beginning of the year.

During the year ended March 31, 2024, the Company recognized a reduction of revenue of $86.6 million (2023 – $11.3 million) related to performance obligations partially satisfied in previous years. This primarily related to revisions to estimated costs to complete certain contracts that impacted revenue and measures of completion.

Remaining performance obligations

As at March 31, 2024, the amount of the revenues expected to be realized in future years from performance obligations that are unsatisfied, or partially unsatisfied, was $6,403.6 million. The Company expects to recognize approximately 42% of these remaining performance obligations as revenue by March 31, 2025, an additional 19% by March 31, 2026 and the balance thereafter.

NOTE 12 – INVENTORIES

		2024		2023
Work in progress	**$**	**356.5**	$	282.4
Raw materials, supplies and manufactured products		**217.1**		301.0
Total inventories	**$**	**573.6**	$	583.4

During the year ended March 31, 2024, the use of inventory recognized in cost of sales amounted to $485.1 million (2023 - $400.2 million), the impairment of inventories to net realizable value amounted to $2.5 million (2023 – $6.2 million) and inventory recognized in discontinued operations amounted to $55.8 million (2023 – $93.2 million).

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

		Buildings and land		Simulators		Machinery and equipment		Aircraft		Assets under construction		Total
Net book value as at March 31, 2022	$	320.1	$	1,415.1	$	66.2	$	71.5	$	256.4	$	2,129.3
Additions		34.6		20.1		16.7		0.2		197.2		268.8
Disposals		(3.6)		(3.2)		(0.1)		(0.6)		—		(7.5)
Depreciation		(23.3)		(113.2)		(21.2)		(5.4)		—		(163.1)
(Impairment) reversal – net		—		2.1		(0.1)		(0.3)		—		1.7
Purchase of assets under lease (Note 15)		—		34.6		—		—		—		34.6
Transfers and others		27.6		208.8		(5.5)		6.0		(231.5)		5.4
Foreign currency exchange differences		13.7		88.6		3.1		5.1		7.4		117.9
Net book value as at March 31, 2023	$	369.1	$	1,652.9	$	59.1	$	76.5	$	229.5	$	2,387.1
Additions		22.0		33.5		19.1		14.0		241.2		329.8
Disposals		(0.2)		(3.6)		(0.2)		(0.3)		—		(4.3)
Disposal of discontinued operations (Note 2)		(0.4)		(2.3)		(3.9)		—		(0.3)		(6.9)
Depreciation		(27.1)		(127.3)		(22.6)		(5.8)		—		(182.8)
Impairment		—		(4.4)		(0.2)		(0.6)		—		(5.2)
Transfers and others		22.3		170.5		10.1		(4.4)		(211.1)		(12.6)
Foreign currency exchange differences		1.3		8.5		0.2		0.2		0.3		10.5
Net book value as at March 31, 2024	**$**	**387.0**	**$**	**1,727.8**	**$**	**61.6**	**$**	**79.6**	**$**	**259.6**	**$**	**2,515.6**

	Buildings and land	Simulators	Machinery and equipment	Aircraft	Assets under construction	Total
Cost	$ 623.9	$ 2,558.1	$ 208.9	$ 103.1	$ 229.5	$ 3,723.5
Accumulated depreciation and impairment	(254.8)	(905.2)	(149.8)	(26.6)	—	(1,336.4)
Net book value as at March 31, 2023	$ 369.1	$ 1,652.9	$ 59.1	$ 76.5	$ 229.5	$ 2,387.1
Cost	$ 666.9	$ 2,694.0	$ 223.5	$ 108.6	$ 259.6	$ 3,952.6
Accumulated depreciation and impairment	(279.9)	(966.2)	(161.9)	(29.0)	—	(1,437.0)
Net book value as at March 31, 2024	**$ 387.0**	**$ 1,727.8**	**$ 61.6**	**$ 79.6**	**$ 259.6**	**$ 2,515.6**

During the year ended March 31, 2024, depreciation of $180.9 million (2023 – $160.7 million) has been recorded in cost of sales, $0.5 million (2023 – $0.2 million) in selling, general and administrative expenses and $1.4 million (2023 – $2.2 million) in net income from discontinued operations.

NOTE 14 – INTANGIBLE ASSETS

	Goodwill	Capitalized development costs	Customer relationships	Licenses	Technology, software and ERP	Other intangible assets	Total
Net book value as at March 31, 2022	$ 2,464.3	$ 234.4	$ 575.0	$ 262.8	$ 243.7	$ 16.1	$ 3,796.3
Additions – internal development	—	87.1	—	—	39.3	—	126.4
Business combinations (Note 3)	35.8	—	(11.8)	—	3.0	—	27.0
Amortization	—	(31.1)	(44.4)	(16.1)	(29.5)	(1.8)	(122.9)
Impairment reversal – net	—	6.3	—	—	—	—	6.3
Transfers and others	—	(3.7)	(1.3)	—	(0.9)	0.4	(5.5)
Foreign currency exchange differences	163.2	1.7	36.8	6.7	14.0	0.8	223.2
Net book value as at March 31, 2023	$ 2,663.3	$ 294.7	$ 554.3	$ 253.4	$ 269.6	$ 15.5	$ 4,050.8
Additions – internal development	—	114.5	—	—	24.6	—	139.1
Additions – acquired separately	—	—	—	8.8	—	—	8.8
Disposal of discontinued operations (Note 2)	(120.4)	(39.1)	(1.5)	—	(5.2)	(1.8)	(168.0)
Amortization	—	(37.7)	(42.9)	(15.8)	(30.5)	(2.5)	(129.4)
Impairment	(568.0)	(38.8)	(2.6)	—	(4.2)	(2.7)	(616.3)
Transfers and others	—	(6.5)	—	(0.3)	(0.9)	—	(7.7)
Foreign currency exchange differences	(3.6)	0.1	(2.1)	0.2	—	—	(5.4)
Net book value as at March 31, 2024	**$ 1,971.3**	**$ 287.2**	**$ 505.2**	**$ 246.3**	**$ 253.4**	**$ 8.5**	**$ 3,271.9**

	Goodwill	Capitalized development costs	Customer relationships	Licenses	Technology, software and ERP	Other intangible assets	Total
Cost	$ 2,699.7	$ 573.3	$ 829.6	$ 320.9	$ 513.2	$ 54.0	$ 4,990.7
Accumulated amortization and impairment	(36.4)	(278.6)	(275.3)	(67.5)	(243.6)	(38.5)	(939.9)
Net book value as at March 31, 2023	$ 2,663.3	$ 294.7	$ 554.3	$ 253.4	$ 269.6	$ 15.5	$ 4,050.8
Cost	$ 2,539.3	$ 535.5	$ 781.8	$ 329.2	$ 499.8	$ 37.3	$ 4,722.9
Accumulated amortization and impairment	(568.0)	(248.3)	(276.6)	(82.9)	(246.4)	(28.8)	(1,451.0)
Net book value as at March 31, 2024	**$ 1,971.3**	**$ 287.2**	**$ 505.2**	**$ 246.3**	**$ 253.4**	**$ 8.5**	**$ 3,271.9**

During the year ended March 31, 2024, amortization of $92.3 million (2023 – $89.6 million) has been recorded in cost of sales, $32.8 million (2023 – $24.5 million) in research and development expenses, $0.2 million (2023 – nil) in selling, general and administrative expenses and $4.1 million (2023 – $8.8 million) in net income from discontinued operations.

Goodwill
The carrying amount of goodwill allocated to the Company's CGUs per operating segment is as follows:

	Civil Aviation	Defense and Security	Discontinued operations	Total
Net book value as at March 31, 2022	$ 1,046.8	$ 1,305.8	$ 111.7	$ 2,464.3
Business combinations (Note 3)	25.6	10.2	—	35.8
Foreign currency exchange differences	53.2	101.3	8.7	163.2
Net book value as at March 31, 2023	$ 1,125.6	$ 1,417.3	$ 120.4	$ 2,663.3
Disposal of discontinued operations (Note 2)	—	—	(120.4)	(120.4)
Impairment	—	(568.0)	—	(568.0)
Foreign currency exchange differences	(4.8)	1.2	—	(3.6)
Net book value as at March 31, 2024	**$ 1,120.8**	**$ 850.5**	**$ —**	**$ 1,971.3**

Goodwill is allocated to CGUs or a group of CGUs, which generally corresponds to the Company's operating segments or one level below.

The Company performed its annual impairment test for goodwill during the fourth quarter of fiscal 2024. The Company determined the recoverable amount of each of its CGUs based on fair value less costs of disposal calculations using a discounted cash flow model. The recoverable amount of each CGU is calculated using estimated cash flows derived from the Company's five-year strategic plan as approved by the Board of Directors. The cash flows are based on expectations of market growth, industry reports and trends, and past performance. Cash flows subsequent to the five-year period were extrapolated using a constant terminal value growth rate of 2%, which is consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The discount rates used to calculate the recoverable amounts reflect each CGUs' specific risks and market conditions, including the market view of risk for each CGU, and range from 9.0% to 10.9%.

In fiscal 2024, the assumptions used in determining the recoverable amount of the Defense and Security CGU using the discounted cash flow model, including expected revenue growth, margin projections and the discount rate, were impacted by the general economic headwinds and the re-baselining of the Defense and Security business resulting in the delayed recovery and growth of the CGU. As a result of the impairment test performed, the Company recorded a goodwill impairment charge of $568.0 million. The recoverable amount of the Defense and Security CGU after the impairment, based on the fair value less costs of disposal calculation, was $2.1 billion.

Variations in the Company assumptions and estimates, particularly in the expected revenue growth, margin projections and the discount rate could have a significant impact on fair value. For the Defense and Security CGU, a decrease of 1% in expected revenue growth would have resulted in an additional impairment of approximately $85 million, a decrease of 1% in margin projections would have resulted in an additional impairment of approximately $190 million, and an increase of 1% in the discount rate of 10.9% would have resulted in an additional impairment of approximately $245 million.

No impairment charge was identified for the CGUs included in the Civil Aviation segment. A decrease of 1% in expected revenue growth, a decrease of 1% in margin projections, or an increase of 1% in the discount rate would not have resulted in an impairment charge for any of the Civil Aviation CGUs.

NOTE 15 – LEASES

Leases as lessee

Right-of-use assets

	Buildings and land	Simulators	Machinery and equipment	Aircraft	Total
Net book value as at March 31, 2022	$ 255.3	$ 90.5	$ 15.5	$ 11.7	$ 373.0
Additions and remeasurements	120.9	7.3	—	—	128.2
Depreciation	(36.6)	(9.9)	(2.8)	(0.8)	(50.1)
Purchase of assets under lease (Note 13)	—	(34.6)	—	—	(34.6)
Transfers and others	(6.1)	(2.3)	(0.3)	—	(8.7)
Foreign currency exchange differences	13.2	5.9	—	—	19.1
Net book value as at March 31, 2023	$ 346.7	$ 56.9	$ 12.4	$ 10.9	$ 426.9
Additions and remeasurements	168.0	8.7	0.5	—	177.2
Disposal of discontinued operations (Note 2)	(9.8)	—	—	—	(9.8)
Depreciation	(39.9)	(9.8)	(3.0)	(0.8)	(53.5)
Impairment	(1.3)	—	—	—	(1.3)
Transfers and others	9.3	(3.8)	—	—	5.5
Foreign currency exchange differences	0.9	(0.1)	—	—	0.8
Net book value as at March 31, 2024	**$ 473.9**	**$ 51.9**	**$ 9.9**	**$ 10.1**	**$ 545.8**

During the year ended March 31, 2024, depreciation of $51.4 million (2023 – $47.5 million) has been recorded in cost of sales, $1.5 million (2023 – $1.6 million) in selling, general and administrative expenses and $0.6 million (2023 – $1.0 million) in net income from discontinued operations.

Short-term leases, leases of low-value assets and variable lease payments
During the year ended March 31, 2024, expenses of $16.4 million (2023 – $16.7 million) have been recognized in net income relating to short-term leases, leases of low-value assets and variable lease payments not included in the measurement of lease liabilities.

Leases as lessor

Operating Leases
As at March 31, 2024, the net book value of simulators leased under operating leases to third parties was $130.4 million (2023 – $76.1 million).

Undiscounted lease payments to be received under operating leases are as follows:

	2024	2023
Less than 1 year	**$ 63.0**	$ 33.0
Between 1 and 2 years	**51.7**	32.6
Between 2 and 3 years	**43.3**	30.0
Between 3 and 4 years	**35.0**	21.7
Between 4 and 5 years	**21.4**	16.5
More than 5 years	**33.4**	13.8
Total undiscounted lease payments receivable	**$ 247.8**	$ 147.6

Finance Leases
Undiscounted lease payments to be received under finance leases are as follows:

		2024		2023
Less than 1 year	**$**	**16.4**	$	16.6
Between 1 and 2 years		**22.8**		14.6
Between 2 and 3 years		**17.4**		15.1
Between 3 and 4 years		**16.0**		16.3
Between 4 and 5 years		**16.0**		13.6
More than 5 years		**128.9**		128.2
Total undiscounted lease payments receivable	**$**	**217.5**	$	204.4
Unearned finance income		**(56.9)**		(68.0)
Discounted unguaranteed residual values of leased assets		**(12.8)**		(10.7)
Total investment in finance leases	**$**	**147.8**	$	125.7
Current portion (Note 10)		**11.9**		13.5
Non-current portion (Note 16)	**$**	**135.9**	$	112.2

NOTE 16 – OTHER NON-CURRENT ASSETS

		2024		2023
Contract assets (Note 11)	**$**	**41.6**	$	41.9
Advance payments for property, plant and equipment		**30.0**		30.7
Investment in finance leases (Note 15)				
		135.9		112.2
Non-current receivables		**61.5**		42.8
Investment tax credits		**268.6**		325.3
Other		**64.7**		67.7
	$	**602.3**	$	620.6

NOTE 17 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2024		2023
Accounts payable trade	**$**	**561.7**	$	522.1
Accrued and other liabilities		**458.0**		498.6
Amount due to related parties (Note 31)		**4.7**		5.7
Current portion of royalty obligations		**10.9**		10.3
	$	**1,035.3**	$	1,036.7

NOTE 18 – PROVISIONS

Changes in provisions are as follows:

		Restoration and simulator removal		Restructuring		Legal		Warranties		Onerous contracts and other		Total
Provisions, as at March 31, 2023	$	9.2	$	1.1	$	1.8	$	23.9	$	10.8	$	46.8
Additions		0.2		27.7		0.1		8.8		14.0		50.8
Amount used		(0.1)		(13.5)		(1.0)		(14.9)		(3.6)		(33.1)
Reversal of unused amounts		—		(0.1)		(0.6)		—		(2.2)		(2.9)
Disposal of discontinued operations (Note 2)		—		—		—		(0.5)		—		(0.5)
Foreign currency exchange differences		0.1		—		—		—		(0.1)		—
Transfers and others		0.3		0.1		—		(2.7)		(2.2)		(4.5)
Provisions, as at March 31, 2024	**$**	**9.7**	**$**	**15.3**	**$**	**0.3**	**$**	**14.6**	**$**	**16.7**	**$**	**56.6**
Current portion	**$**	**—**	**$**	**15.3**	**$**	**0.3**	**$**	**11.1**	**$**	**15.9**	**$**	**42.6**
Non-current portion	**$**	**9.7**	**$**	**—**	**$**	**—**	**$**	**3.5**	**$**	**0.8**	**$**	**14.0**

NOTE 19 – DEBT FACILITIES

Long-term debt, net of transaction costs is as follows:

	Notional amount	Repayment period	2024 Current	2024 Non-current	2023 Current	2023 Non-current
Unsecured senior notes						
U.S. dollar, fixed rate - 3.60% to 4.90%	**US$ 933.0**	**2024-2034**	**$ 190.5**	**$ 1,068.8**	$ 18.5	$ 1,257.9
Canadian dollar, Series 1, fixed rate - 5.541%	**$ 400.0**	**2028**	**—**	**397.5**	—	—
Canadian dollar, fixed rate - 4.15%	**$ 21.5**	**2024-2027**	**12.9**	**8.6**	2.9	21.4
Term loans						
U.S. dollar, variable rate	**US$ 125.0**	**2025**	**—**	**168.9**	67.0	405.4
Canadian dollar, variable rate	**$ 23.9**	**2024-2028**	**5.6**	**18.3**	5.6	23.8
Other		**2024-2026**	**14.3**	**32.8**	15.2	47.4
Lease liabilities						
U.S. dollar		**2024-2071**	**30.2**	**368.2**	55.7	241.3
Other		**2024-2043**	**25.0**	**128.5**	25.5	133.4
R&D obligations						
Canadian dollar		**2023-2048**	**30.4**	**543.8**	24.2	471.9
Revolving credit facilities						
U.S. dollar, variable rate			**—**	**—**	—	433.0
Canadian dollar, variable rate			**—**	**30.0**	—	—
Total long-term debt			**$ 308.9**	**$ 2,765.4**	$ 214.6	$ 3,035.5

Unsecured senior notes
In June 2023, the Company completed a private offering of $400.0 million of unsecured senior notes, bearing interest at 5.541% per annum, payable in equal semi-annual installments until maturity in June 2028.

Term loans
In February 2024, the Company prepaid a US$175.0 million term loan due in July 2024. In March 2024, the Company repaid a term loan of US$50.0 million.

Information on the change in long-term debt for which cash flows have been classified as financing activities in the statement of cash flows are as follows:

	Unsecured senior notes	Term loans	Lease liabilities	R&D obligations	Revolving credit facility	Total
Net book value as at March 31, 2022	$ 1,221.0	$ 620.3	$ 395.0	$ 473.0	$ 336.9	$ 3,046.2
Changes from financing cash flows						
Net repayment from borrowing under revolving credit facilities	—	—	—	—	44.5	44.5
Proceeds from long-term debt	—	—	—	31.2	—	31.2
Repayment of long-term debt	(21.8)	(106.1)	—	(33.1)	—	(161.0)
Repayment of lease liabilities	—	—	(83.4)	—	—	(83.4)
Total changes from financing cash flows	$ (21.8)	$ (106.1)	$ (83.4)	$ (1.9)	$ 44.5	$ (168.7)
Non-cash changes						
Foreign currency exchange differences	101.1	48.9	21.7	—	51.6	223.3
Additions and remeasurement of lease liabilities	—	—	128.2	—	—	128.2
Accretion	—	—	—	25.0	—	25.0
Other	0.4	1.3	(5.6)	—	—	(3.9)
Total non-cash changes	$ 101.5	$ 50.2	$ 144.3	$ 25.0	$ 51.6	$ 372.6
Net book value as at March 31, 2023	$ 1,300.7	$ 564.4	$ 455.9	$ 496.1	$ 433.0	$ 3,250.1
Changes from financing cash flows						
Net proceeds from borrowing under revolving credit facilities	—	—	—	—	(396.7)	(396.7)
Proceeds from long-term debt	397.1	—	—	36.4	—	433.5
Repayment of long-term debt	(21.7)	(324.0)	—	(24.7)	—	(370.4)
Repayment of lease liabilities	—	—	(69.5)	—	—	(69.5)
Total changes from financing cash flows	$ 375.4	$ (324.0)	$ (69.5)	$ 11.7	$ (396.7)	$ (403.1)
Non-cash changes						
Foreign currency exchange differences	1.2	(1.3)	0.5	—	(6.3)	(5.9)
Additions and remeasurement of lease liabilities	—	—	177.2	—	—	177.2
Disposal of discontinued operations (Note 2)	—	—	(12.2)	—	—	(12.2)
Accretion	—	—	—	27.9	—	27.9
Transfer from royalty obligations (Note 2)	—	—	—	36.9	—	36.9
Other	1.0	0.8	—	1.6	—	3.4
Total non-cash changes	$ 2.2	$ (0.5)	$ 165.5	$ 66.4	$ (6.3)	$ 227.3
Net book value as at March 31, 2024	**$ 1,678.3**	**$ 239.9**	**$ 551.9**	**$ 574.2**	**$ 30.0**	**$ 3,074.3**

The Company's unsecured senior notes, term loans and revolving credit facility include standard events of default and covenant provisions whereby accelerated repayment and/or termination of the agreements may result if the Company were to default on payment or violate certain covenants. As at March 31, 2024, the Company is in compliance with all of its financial covenants, as amended from time to time.

NOTE 20 – EMPLOYEE BENEFITS OBLIGATIONS

Defined benefit pension plans

The Company has three registered funded defined benefit pension plans in Canada (two for employees and one for designated executives) that provide benefits based on length of service and final average earnings. The Company also maintains a funded pension plan for employees in the United Kingdom that provides benefits based on similar provisions.

The Company's annual contributions, to fund both benefits accruing in the year and deficits accumulated over prior years, and the plans' financial position are determined based on actuarial valuations. Applicable pension legislations prescribe minimum funding requirements.

In addition, the Company maintains unfunded plans in Canada, United States and Germany that provide defined benefits based on length of service and final average earnings. These unfunded plans are the sole obligation of the Company, and there is no requirement to fund them. However, the Company is obligated to pay the benefits when they become due. As at March 31, 2024, the Company has issued letters of credit totalling $54.3 million (2023 – $56.5 million) to collateralize the obligations under the Canadian plans.

The funded plans are trustee administered funds. Plan assets held in trusts are governed by local regulations and practices in each country, as is the nature of the relationship between the Company and the trustees and their composition. Responsibility for governance of the plans, including investment decisions and contribution schedules, lies jointly with the Company and the board of trustees.

The employee benefits obligations are as follows:

		2024		2023
Funded defined benefit pension obligations	**$**	**476.3**	$	590.7
Fair value of plan assets		**542.0**		641.7
Funded defined benefit pension surplus – net	**$**	**(65.7)**	$	(51.0)
Unfunded defined benefit pension obligations		**98.7**		91.8
Employee benefits obligations - net	**$**	**33.0**	$	40.8
Employee benefit assets	**$**	**(65.7)**	$	(51.1)
Employee benefit obligations	**$**	**98.7**	$	91.9

Changes in funded defined benefit pension obligations and fair value of plan assets are as follows:

			2024				2023
	Canadian	**Foreign**	**Total**	Canadian	Foreign		Total
Pension obligations, beginning of year	**$ 585.5**	**$ 5.2**	**$ 590.7**	$ 631.8	$ 6.9	$	638.7
Current service cost	**31.9**	**—**	**31.9**	32.5	—		32.5
Interest cost	**22.5**	**0.3**	**22.8**	23.9	0.2		24.1
Past service cost	**2.9**	**—**	**2.9**	—	—		—
Actuarial loss (gain) arising from:							
Experience adjustments	**(3.0)**	**—**	**(3.0)**	25.5	0.2		25.7
Economic assumptions	**4.6**	**—**	**4.6**	(102.8)	(1.8)		(104.6)
Demographic assumptions	**—**	**(0.1)**	**(0.1)**	2.6	(0.1)		2.5
Employee contributions	**9.5**	**—**	**9.5**	9.2	—		9.2
Pension benefits paid	**(14.0)**	**(0.4)**	**(14.4)**	(25.5)	(0.2)		(25.7)
Settlements	**(168.9)**	**—**	**(168.9)**	(11.7)	—		(11.7)
Net transfers	**0.3**	—	**0.3**	—	—		—
Foreign currency exchange differences	**—**	**—**	**—**	—	—		—
Pension obligations, end of year	**$ 471.3**	**$ 5.0**	**$ 476.3**	$ 585.5	$ 5.2	$	590.7
Fair value of plan assets, beginning of year	**$ 635.3**	**$ 6.4**	**$ 641.7**	$ 617.1	$ 6.8	$	623.9
Interest income	**25.1**	**0.3**	**25.4**	23.9	0.2		24.1
Return on plan assets, excluding amounts included in interest income	**18.2**	**0.3**	**18.5**	(10.1)	(0.9)		(11.0)
Employer contributions	**24.9**	**0.3**	**25.2**	33.0	0.4		33.4
Employee contributions	**9.5**	**—**	**9.5**	9.2	—		9.2
Pension benefits paid	**(14.0)**	**(0.4)**	**(14.4)**	(25.5)	(0.2)		(25.7)
Settlements	**(163.5)**	**—**	**(163.5)**	(11.7)	—		(11.7)
Net transfers	**0.3**	—	**0.3**	—	—		—
Administrative costs	**(0.8)**	**—**	**(0.8)**	(0.6)	—		(0.6)
Foreign currency exchange differences	**—**	**0.1**	**0.1**	—	0.1		0.1
Fair value of plan assets, end of year	**$ 535.0**	**$ 7.0**	**$ 542.0**	$ 635.3	$ 6.4	$	641.7

In June 2023, the Company entered into an annuity purchase transaction in which the pension obligations of $168.9 million associated with certain retired members of Canadian defined benefit pension plans were transferred to a third-party insurer, in exchange for a payment of $163.5 million from the pension plan assets.

Changes in unfunded defined benefit pension obligations are as follows:

			2024				2023
	Canadian	**Foreign**	**Total**	Canadian	Foreign		Total
Pension obligations, beginning of year	**$ 81.3**	**$ 10.5**	**$ 91.8**	$ 82.6	$ 12.3	$	94.9
Current service cost	**3.9**	**1.3**	**5.2**	4.1	1.0		5.1
Interest cost	**3.9**	**0.5**	**4.4**	3.0	0.3		3.3
Past service cost	**—**	**—**	**—**	—	0.2		0.2
Actuarial loss (gain) arising from:							
Experience adjustments	**(0.4)**	**0.4**	**—**	5.5	(0.6)		4.9
Economic assumptions	**0.5**	**0.5**	**1.0**	(11.0)	(2.7)		(13.7)
Pension benefits paid	**(3.0)**	**(0.7)**	**(3.7)**	(2.9)	(0.6)		(3.5)
Foreign currency exchange differences	**—**	**—**	**—**	—	0.6		0.6
Pension obligations, end of year	**$ 86.2**	**$ 12.5**	**$ 98.7**	$ 81.3	$ 10.5	$	91.8

Net pension cost is as follows:

	2024			2023		
	Canadian	**Foreign**	**Total**	Canadian	Foreign	Total
Funded plans						
Current service cost	**$ 31.9**	**$ —**	**$ 31.9**	$ 32.5	$ —	$ 32.5
Interest cost	**22.5**	**0.3**	**22.8**	23.9	0.2	24.1
Interest income	**(25.1)**	**(0.3)**	**(25.4)**	(23.9)	(0.2)	(24.1)
Past service cost	**2.9**	**—**	**2.9**	—	—	—
Settlement gain	**(5.4)**	—	**(5.4)**	—	—	—
Administrative cost	**0.8**	**—**	**0.8**	0.6	—	0.6
Net pension cost of funded plans	**$ 27.6**	**$ —**	**$ 27.6**	$ 33.1	$ —	$ 33.1
Unfunded plans						
Current service cost	**$ 3.9**	**$ 1.3**	**$ 5.2**	$ 4.1	$ 1.0	$ 5.1
Interest cost	**3.9**	**0.5**	**4.4**	3.0	0.3	3.3
Past service cost	**—**	**—**	**—**	—	0.2	0.2
Net pension cost of unfunded plans	**$ 7.8**	**$ 1.8**	**$ 9.6**	$ 7.1	$ 1.5	$ 8.6
Total net pension cost	**$ 35.4**	**$ 1.8**	**$ 37.2**	$ 40.2	$ 1.5	$ 41.7

During the year ended March 31, 2024, pension costs of $18.1 million (2023 – $19.4 million) have been charged in cost of sales, $4.5 million (2023 – $5.8 million) in research and development expenses, $12.8 million (2023 – $8.4 million) in selling, general and administrative expenses, $3.2 million (2023 – nil) in restructuring, integration and acquisition costs, $1.8 million (2023 – $3.3 million) in finance expense, a gain of $0.4 million (2023 – costs of $1.6 million) in net income from discontinued operations and $2.6 million (2023 – $3.2 million) were capitalized.

As a result of an annuity purchase transaction, the Company recognized a settlement gain of $5.4 million, of which $5.2 million has been presented in other gains and losses and $0.2 million in net income from discontinued operations.

Fair value of the plan assets, by major categories, are as follows:

	2024			2023		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Canadian plans						
Equity funds						
Canadian	**$ —**	**$ 35.0**	**$ 35.0**	$ —	$ 45.6	$ 45.6
Foreign	**—**	**130.8**	**130.8**	—	174.8	174.8
Bond funds						
Government	**—**	**117.4**	**117.4**	—	133.3	133.3
Corporate	**—**	**58.7**	**58.7**	—	74.4	74.4
Private and property investments	**—**	**180.9**	**180.9**	—	191.7	191.7
Cash and cash equivalents	**—**	**9.9**	**9.9**	—	14.4	14.4
Other	**—**	**2.3**	**2.3**	—	1.1	1.1
Total Canadian plans	**$ —**	**$ 535.0**	**$ 535.0**	$ —	$ 635.3	$ 635.3
Foreign plans						
Equity instruments	**$ 2.5**	**$ —**	**$ 2.5**	$ 2.3	$ —	$ 2.3
Debt instruments						
Corporate	**3.4**	**—**	**3.4**	3.3	—	3.3
Other	**—**	**1.1**	**1.1**	—	0.8	0.8
Total Foreign plans	**$ 5.9**	**$ 1.1**	**$ 7.0**	$ 5.6	$ 0.8	$ 6.4
Total plans	**$ 5.9**	**$ 536.1**	**$ 542.0**	$ 5.6	$ 636.1	$ 641.7

As at March 31, 2024 and March 31, 2023, there were no common shares of the Company in the pension plan assets.

Significant assumptions (weighted average) used are as follows:

	Canadian		Foreign	
	2024	2023	**2024**	2023
Pension obligations as at March 31:				
Discount rate	**5.00 %**	5.05 %	**4.43 %**	4.70 %
Compensation rate increases	**3.69 %**	3.66 %	**2.68 %**	2.54 %
Net pension cost for years ended March 31:				
Discount rate	**5.05 %**	4.14 %	**4.70 %**	2.41 %
Compensation rate increases	**3.66 %**	3.65 %	**2.54 %**	2.66 %

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and mortality tables and experience in each territory. The mortality tables and the average life expectancy in years for a member age 45 and 65 are as follows:

As at March 31, 2024				Life expectancy over 65 for a member	
(in years)			Male		Female
Country	Mortality table	at age 45	at age 65	at age 45	at age 65
Canada	CPM private tables	**23.8**	**22.4**	**26.3**	**25.0**
Germany	Heubeck RT2018G	**23.5**	**20.8**	**26.4**	**24.2**
United Kingdom	S3PFA M CMI 2022	**22.7**	**21.4**	**24.8**	**23.3**
United States	CPM private tables	**25.0**	**23.6**	**26.5**	**25.5**

As at March 31, 2023				Life expectancy over 65 for a member	
(in years)			Male		Female
Country	Mortality table	at age 45	at age 65	at age 45	at age 65
Canada	CPM private tables	23.7	22.2	26.1	24.8
Germany	Heubeck RT2018G	23.4	20.6	26.3	24.0
United Kingdom	S2PxA CMI 2020	22.6	21.6	24.6	23.4
United States	CPM private tables	24.9	23.5	26.4	25.1

As at March 31, 2024, the weighted average duration of the defined benefit obligation is 18 years.

The impact on the defined benefit obligation as a result of a 0.25% change in the significant assumptions as at March 31, 2024 are as follows:

	Funded plans		**Unfunded plans**		
	Canadian	**Foreign**	**Canadian**	**Foreign**	**Total**
Discount rate:					
Increase	**$ (21.4)**	**$ (0.1)**	**$ (2.4)**	**$ (0.4)**	**$ (24.3)**
Decrease	**22.9**	**0.1**	**2.5**	**0.4**	**25.9**
Compensation rate:					
Increase	**10.3**	**—**	**0.4**	**0.1**	**10.8**
Decrease	**(9.7)**	**—**	**(0.4)**	**(0.1)**	**(10.2)**

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant being the exposure to asset volatility, to changes in bond yields and to changes in life expectancy. The plan liabilities are calculated using a discount rate set with reference to corporate bond yields, if plan assets underperform against this yield, this will create a deficit. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings. The plans' obligations are to provide benefits for the duration of the life of its members, therefore, increases in life expectancy will result in an increase in the plans' liabilities.

Contributions reflect actuarial assumptions of future investment returns, salary projections and future service benefits. The expected employer contributions and expected benefits paid for the next fiscal year are as follows:

	Canadian	**Foreign**	**Total**
Expected employer contributions in funded plans	**$ 26.9**	**$ —**	**$ 26.9**
Expected benefits paid in unfunded plans	**3.0**	**0.7**	**3.7**

NOTE 21 – OTHER NON-CURRENT LIABILITIES

		2024		2023
Contract liabilities (Note 11)	**$**	**99.8**	$	94.0
Share-based payments liabilities (Note 24)		**51.3**		63.2
Interest payable		**3.8**		8.8
Other		**26.2**		32.2
	$	**181.1**	$	198.2

NOTE 22 – SUPPLEMENTARY CASH FLOWS INFORMATION

Changes in non-cash working capital are as follows:

		2024		2023
Accounts receivable	**$**	**(10.7)**	$	4.1
Contract assets		**153.0**		(66.6)
Inventories		**(76.3)**		(65.6)
Prepayments		**(11.2)**		(9.7)
Income taxes		**30.2**		(13.2)
Accounts payable and accrued liabilities		**11.0**		21.8
Provisions		**14.2**		(15.3)
Contract liabilities		**17.9**		30.0
	$	**128.1**	$	(114.5)

Supplemental information:

		2024		2023
Interest paid	**$**	**189.7**	$	174.7
Interest received		**17.1**		13.3
Income taxes paid		**69.7**		34.7

NOTE 23 – ACCUMULATED OTHER COMPREHENSIVE INCOME

	Foreign currency exchange differences on translation of foreign operations		Net changes in cash flow hedges		Net changes in financial assets carried at FVOCI		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Balances, beginning of year	**$ 182.8**	$ (29.4)	**$ (14.3)**	$ (0.5)	**$ (1.3)**	$ (1.3)	**$ 167.2**	$ (31.2)
Other comprehensive (loss) income	**(8.3)**	212.2	**(4.9)**	(13.8)	**—**	—	**(13.2)**	198.4
Balances, end of year	**$ 174.5**	$ 182.8	**$ (19.2)**	$ (14.3)	**$ (1.3)**	$ (1.3)	**$ 154.0**	$ 167.2

NOTE 24 – SHARE-BASED PAYMENTS

In August 2023, the shareholders of the Company approved the Omnibus Incentive Plan, which allows equity awards to be granted to eligible participants in the form of stock options, restricted share units (RSUs) and performance share units (PSUs). The total number of shares reserved for issuance under the Omnibus Incentive Plan is 10,000,000.

The Omnibus Incentive Plan supplements the existing cash-settled RSU and PSU plans and stock option plan (collectively, the “Existing Plans”). Awards granted under the Existing Plans will remain outstanding and governed by the respective terms of such plans, but no new awards will be granted under any of the Existing Plans. All awards made under the Omnibus Incentive Plan are considered equity-settled arrangements.

The Company’s share-based payment plans consist of two categories: equity-settled share-based payment plans comprised of the stock option plan, a RSU plan and a PSU plan; and cash-settled share-based payments plans that include the stock purchase plan, deferred share units (DSU) plans, a RSU plan and a PSU plan.

Share-based payments expense are as follows:

		2024		2023
Equity-settled plans				
Stock option plan	**$**	**7.0**	$	6.1
RSU plan		**4.7**		—
PSU plan		**3.6**		—
Cash-settled plans				
Stock purchase plan		**15.7**		12.8
DSU plans		**(1.1)**		2.6
RSU plan		**2.2**		6.6
PSU plan		**2.4**		0.4
Total share-based payments expense	**$**	**34.5**	$	28.5
Impact of equity swap agreements (Note 30)		**6.6**		5.3
Amount capitalized		**(1.0)**		(0.9)
Share-based payments expense, net of equity swap (Note 25)	**$**	**40.1**	$	32.9

During the year ended March 31, 2024, $2.8 million (2023 – $0.8 million) of share-based payments expense have been recorded in net income from discontinued operations.

Carrying amount of share-based payments liabilities are as follows:

		2024		2023
Cash-settled plans				
DSU plans	**$**	**41.6**	$	48.4
RSU plan		**9.1**		13.4
PSU plan		**10.5**		12.7
Total carrying amount of share-based payments liabilities	**$**	**61.2**	$	74.5
Current portion		**9.9**		11.3
Non-current portion (Note 21)	**$**	**51.3**	$	63.2

Stock option plan

Stock options to purchase common shares of the Company are granted to certain employees, officers and executives of the Company. The stock option exercise price is equal to the common shares weighted average price on the TSX of the five days of trading prior to the grant date. Stock options vest over four years of continuous employment from the grant date. The stock options must be exercised within a seven-year period, but are not exercisable during the first year after the grant date.

Changes in outstanding stock options are as follows:

	2024		2023	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of year	**6,323,537**	**$ 26.63**	6,783,444	$ 25.08
Granted	**735,274**	**28.66**	624,700	32.92
Exercised	**(405,943)**	**19.34**	(882,167)	18.49
Forfeited	**(192,946)**	**31.04**	(202,440)	29.28
Stock options outstanding, end of year	**6,459,922**	**$ 27.19**	6,323,537	$ 26.63
Stock options exercisable, end of year	**4,533,751**	**$ 26.57**	3,877,399	$ 25.62

During the year ended March 31, 2024, the weighted average market share price for stock options exercised was $30.33 (2023 - $31.95).

As at March 31, 2024, summarized information about the stock options issued and outstanding is as follows:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of stock options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options exercisable	Weighted average exercise price
$20.24 to $23.41	2,673,494	2.22	$ 21.07	2,138,244	$ 21.20
$26.78 to $29.62	1,739,349	3.24	27.76	1,053,806	27.18
$30.13 to $38.01	2,047,079	3.58	34.70	1,341,701	34.66
Total	6,459,922	2.93	$ 27.19	4,533,751	$ 26.57

During the year ended March 31, 2024, the weighted average fair value of stock options granted was $10.12 (2023 – $10.85).

The assumptions used in the calculation of the fair value of the stock options on the grant date using the Black-Scholes option pricing model are as follows:

	2024	2023
Common share price	**$ 27.85**	$ 30.87
Exercise price	**$ 28.66**	$ 32.92
Dividend yield	**0.72 %**	0.65 %
Expected volatility	**41.88 %**	42.12 %
Risk-free interest rate	**3.73 %**	3.30 %
Expected stock option life	**4.5 years**	4.5 years

Expected volatility is estimated by considering historical average common share price volatility over the expected life of the stock options.

Equity-settled restricted share unit (RSU) plan

RSUs are granted to certain employees, officers and executives of the Company. RSUs are settled in shares, either issued from treasury or purchased on the open market, in cash or in a combination thereof, at the discretion of the Company. Restriction criteria include continuing employment for a period of up to three years. RSUs are settled three years after the grant date.

Changes in outstanding equity-settled RSUs are as follows:

	2024	2023
Equity-settled RSUs outstanding, beginning of year	**—**	—
Granted	**304,142**	—
Cancelled	**(11,104)**	—
Settled in cash	**(404)**	—
Equity-settled RSUs outstanding, end of year	**292,634**	—
Equity-settled RSUs vested, end of year	**168,681**	—

Equity-settled performance share unit (PSU) plan

PSUs are granted to certain employees, officers and executives of the Company. PSUs are settled in shares, either issued from treasury or purchased on the open market, in cash or in a combination thereof, at the discretion of the Company. The target rate of granted units is multiplied by a factor which ranges from 0% to 200% based on the attainment of performance criteria set out pursuant to the plan, if restriction criteria are met. Restriction criteria include continuing employment for a period of up to three years. PSUs are settled three years after the grant date.

Changes in outstanding equity-settled PSUs are as follows:

	2024	2023
Equity-settled PSUs outstanding, beginning of year	—	—
Granted	**812,603**	—
Cancelled	**(30,604)**	—
Settled in cash	**(1,213)**	—
Equity-settled PSUs outstanding, end of year	**780,786**	—
Equity-settled PSUs vested, end of year	**489,134**	—

Cash-settled stock purchase plan

Employees of the Company and its participating subsidiaries can acquire common shares through regular payroll deductions. The Company contributes $1 for every $2 of employee contributions, up to a maximum of 3% of the employee's base salary. The employee and Company's contributions are remitted to an independent plan administrator who purchases common shares on the market on behalf of the employee.

Cash-settled deferred share unit (DSU) plans

Non-employee directors holding less than the minimum required holdings of common shares of the Company receive their Board retainer compensation in the form of deferred share units (DSUs). A non-employee director holding no less than the minimum required holdings of common shares may also elect to participate in the DSU plan in respect of part or all of his or her retainer. Such retainer amount is converted to DSUs based on the common shares price on the TSX on the date such retainer becomes payable to the non-employee director.

Certain executives can elect to defer a portion or entire short-term incentive payment to the DSU plan on an annual basis. Such deferred short-term incentive amount is converted to DSUs based on the common shares weighted average price on the TSX of the five days of trading prior to the date such incentive becomes payable to the executives.

DSUs entitle the holders to receive a cash payment equal to the common shares closing price on the TSX on the payment date, or, in certain cases, the weighted average price of thefive days prior to the payment date. Holders are also entitled to dividend equivalents payable in additional DSUs in an amount equal to the dividends paid on the common shares from the date of issuance to the payment date.

DSUs vest immediately and are paid upon any termination of employment or when a non-employee director ceases to act as a director.

Changes in outstanding DSUs are as follows:

	2024	2023
DSUs outstanding, beginning of year	**1,586,384**	1,557,007
Granted	**118,667**	181,288
Redeemed	**(217,637)**	(151,911)
DSUs vested and outstanding, end of year	**1,487,414**	1,586,384

As at March 31, 2024, vested and outstanding DSUs includes 833,090 DSUs (2023 – 850,392) granted to certain employees, officers and executives of the Company under previous plans, which are paid upon any termination of employment of the holder. Under the previous plans, holders are also entitled to dividend equivalents payable in additional DSUs in an amount equal to the dividends paid on the common shares from the date of issuance to the payment date.

Cash-settled restricted share unit (RSU) plan

Restricted share units (RSUs) are granted to certain employees, officers and executives of the Company. RSUs entitle the holders to receive a cash payment based on the average closing price on the TSX for the 20 trading days preceding the vesting date, if restriction criteria are met. Restriction criteria include continuing employment for a period of up to three years. RSUs are paid three years after the grant date. Following the adoption of the Omnibus Incentive Plan, no new awards will be granted under this plan.

Changes in outstanding cash-settled RSUs are as follows:

	2024	2023
Cash-settled RSUs outstanding, beginning of year	**646,231**	607,039
Granted	**—**	247,197
Cancelled	**(12,369)**	(31,505)
Redeemed	**(229,825)**	(176,500)
Cash-settled RSUs outstanding, end of year	**404,037**	646,231
Cash-settled RSUs vested, end of year	**332,420**	438,656

Cash-settled performance share unit (PSU) plan

Performance share units (PSUs) are granted to certain employees, officers and executives of the Company. PSUs entitle the holders to receive a cash payment equal to the average closing price on the TSX of the common shares for the 20 trading days preceding the vesting date multiplied by a factor which ranges from 0% to 200% based on the attainment of performance criteria set out pursuant to the plan, if restriction criteria are met. Restriction criteria include continuing employment for a period of up to three years. PSUs are paid three years after the grant date. Following the adoption of the Omnibus Incentive Plan, no new awards will be granted under this plan.

Changes in outstanding cash-settled PSUs are as follows:

	2024	2023
Cash-settled PSUs outstanding, beginning of year	**1,148,302**	847,171
Granted	**—**	817,218
Cancelled	**(83,204)**	(48,601)
Redeemed	**(152,817)**	(467,486)
Cash-settled PSUs outstanding, end of year	**912,281**	1,148,302
Cash-settled PSUs vested, end of year	**711,745**	687,120

NOTE 25 – EMPLOYEE COMPENSATION

Total employee compensation expense recognized in income is as follows:

		2024		2023
Salaries and other short-term employee benefits	**$**	**1,682.7**	$	1,564.5
Share-based payments expense, net of equity swap (Note 24)		**40.1**		32.9
Post-employment benefits – defined benefit plans (Note 20)		**34.6**		38.5
Post-employment benefits – defined contribution plans		**38.5**		25.4
Termination benefits		**28.5**		2.7
Total employee compensation	**$**	**1,824.4**	$	1,664.0

During the year ended March 31, 2024, $48.5 million (2023 – $51.6 million) of total employee compensation have been recorded in net income from discontinued operations.

NOTE 26 – GOVERNMENT PARTICIPATION

Government contributions were recognized as follows:

		2024		2023
Credited to non-financial assets	**$**	**20.4**	$	19.6
Credited to income		**27.9**		26.1
	$	**48.3**	$	45.7

NOTE 27 – CONTINGENCIES AND COMMITMENTS

Contingencies

From time to time, the Company is involved in legal proceedings, audits, litigations and claims arising in the ordinary course of its business. The Company operates in a highly regulated environment across many jurisdictions and is subject to, without limitation, laws and regulations relating to import-export controls, trade sanctions, anti-corruption, national security and aviation safety of each country. In addition, contracts with government agencies are subject to procurement regulations and other specific legal requirements. The Company is also required to comply with tax laws and regulations of any country in which it operates.

The Company is subject to investigations and audits from various government and regulatory agencies. In addition, the Company may identify, investigate, remediate and voluntarily disclose potential non-compliance with those laws and regulations. As a result, the Company can be subject to potential liabilities associated with those matters. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company does not believe that the ultimate outcome of these matters will have a material impact on its consolidated financial statements.

Commitments

Contractual purchase commitments that are not recognized as liabilities are as follows:

		2024		2023
Less than 1 year	**$**	**329.3**	$	297.5
Between 1 and 5 years		**245.5**		249.6
Later than 5 years		**3.2**		1.9
Total contractual purchase commitments	**$**	**578.0**	$	549.0

As at March 31, 2024, the Company had additional commitments of $65.9 million related to leases not yet commenced that have not been recognized as a lease liability nor included in the table above.

NOTE 28 – 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:

	Level	2024 Carrying value Total	2024 Fair value Total	2023 Carrying value Total	2023 Fair value Total
Financial assets (liabilities) measured at FVTPL					
Cash and cash equivalents	Level 1	**$ 160.1**	**$ 160.1**	$ 217.6	$ 217.6
Equity swap agreements	Level 2	**(15.8)**	**(15.8)**	(11.8)	(11.8)
Forward foreign currency contracts	Level 2	**(0.6)**	**(0.6)**	(5.3)	(5.3)
Derivatives assets (liabilities) designated in a hedge relationship					
Foreign currency and interest rate swap agreements	Level 2	**4.8**	**4.8**	10.5	10.5
Forward foreign currency contracts	Level 2	**(8.7)**	**(8.7)**	(20.5)	(20.5)
Financial assets (liabilities) measured at amortized cost					
Accounts receivable[1]	Level 2	**570.8**	**570.8**	555.3	555.3
Investment in finance leases	Level 2	**147.9**	**140.3**	125.7	126.1
Other non-current assets[2]	Level 2	**47.0**	**47.0**	32.1	32.1
Accounts payable and accrued liabilities [3]	Level 2	**(775.8)**	**(775.8)**	(799.3)	(799.3)
Total long-term debt[4]	Level 2	**(2,529.9)**	**(2,524.4)**	(2,800.3)	(2,788.2)
Other non-current liabilities[5]	Level 2	**(87.1)**	**(78.0)**	(137.6)	(125.1)
Financial assets measured at FVOCI					
Equity investments	Level 3	**1.4**	**1.4**	1.4	1.4
		$ (2,485.9)	**$ (2,478.9)**	$ (2,832.2)	$ (2,807.2)

[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 year ended March 31, 2024, there were no significant changes in level 3 financial instruments.

NOTE 29 – CAPITAL RISK MANAGEMENT

The Company's capital allocation priorities are focused on:
(i) Organic investments for sustainable and accretive growth;
(ii) Maintaining a strong balance sheet for optimal resiliency and financial flexibility;
(iii) Balancing returns to shareholders with leverage targets and growth investment opportunities.

The Company manages its capital structure and makes corresponding adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or debt, use cash to reduce debt or repurchase shares.

To accomplish its objectives stated above, the Company monitors its capital on the basis of the net debt to capital. This ratio is calculated as net debt divided by the sum of total equity plus net debt. Net debt is calculated as total long-term debt, including the current portion of long-term debt less cash and cash equivalents. Total equity comprises share capital, contributed surplus, accumulated other comprehensive income, retained earnings and non-controlling interests.

The level of debt versus equity in the capital structure is monitored, and the ratios are as follows:

	2024	2023
Total long-term debt (Note 19)	**$ 3,074.3**	$ 3,250.1
Less: cash and cash equivalents	**(160.1)**	(217.6)
Net debt	**$ 2,914.2**	$ 3,032.5
Equity	**4,302.6**	4,588.9
Total net debt plus equity	**$ 7,216.8**	$ 7,621.4
Net debt-to-capital	**% 40.4**	% 39.8

NOTE 30 – FINANCIAL RISK MANAGEMENT

Due to the nature of the activities that the Company carries out and as a result of holding financial instruments, the Company is exposed to credit risk, liquidity risk and market risk, including foreign currency risk and interest rate risk. The Company's exposure to credit risk, liquidity risk and market risk is managed within risk management parameters documented in corporate policies. These risk management parameters remain unchanged since the previous period, unless otherwise indicated.

Credit risk

Credit risk is defined as the Company's exposure to a financial loss if a debtor fails to meet its obligations in accordance with the terms and conditions of its arrangements with the Company. The Company is exposed to credit risk on its accounts receivable and certain other assets through its normal commercial activities. The Company is also exposed to credit risk through its normal treasury activities on its cash and cash equivalents and derivative financial assets. Credit risks arising from the Company's normal commercial activities are managed with regards to customer credit risk.

The Company's customers are mainly established companies, some of which have publicly available credit ratings, as well as government agencies, which facilitates risk assessment and monitoring. In addition, the Company typically receives substantial non-refundable advance payments for contracts with customers. The Company closely monitors its exposure to major airline companies in order to mitigate its risk to the extent possible. Furthermore, the Company's trade receivables are held with a wide range of commercial and government organizations and agencies. As well, the Company's credit exposure is further reduced by the sale of certain of its accounts receivable to third-party financial institutions for cash consideration on a limited recourse basis (receivable purchase facility). The Company does not hold any collateral as security. The credit risk on cash and cash equivalents is mitigated by the fact that they are mainly in place with a diverse group of major North American and European financial institutions.

The Company is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments. The Company uses several measures to minimize this exposure. First, the Company enters into contracts with counterparties that are of high credit quality. The Company signed *International Swaps & Derivatives Association, Inc. (ISDA)* Master Agreements with all the counterparties with whom it trades derivative financial instruments. These agreements make it possible to offset when a contracting party defaults on the agreement, for each of the transactions covered by the agreement and in force at the time of default. Also, collateral or other security to support derivative financial instruments subject to credit risk can be requested by the Company or its counterparties (or both parties, if need be) when the net balance of gains and losses on each transaction exceeds a threshold defined in the ISDA Master Agreement. Finally, the Company monitors the credit standing of counterparties on a regular basis to help minimize credit risk exposure.

The carrying amounts presented in Note 10 and Note 28 represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates.

Exposure to credit risk and credit loss allowances for accounts receivable and contract assets by segment are as follows:

As at March 31, 2024	**Civil Aviation**	**Defense and Security**	**Amounts not allocated to a segment**	**Total**
Gross accounts receivable	$ 347.1	258.2	$ 40.1	$ 645.4
Gross contract assets	177.3	401.9	—	579.2
Total	**$ 524.4**	**$ 660.1**	**$ 40.1**	**$ 1,224.6**
Credit loss allowances	$ (19.9)	$ (1.0)	$ —	$ (20.9)
As a %	3.8 %	0.2 %	— %	1.7 %

As at March 31, 2023	Civil Aviation	Defense and Security	Amounts not allocated to a segment	Total
Gross accounts receivable	$ 354.1	$ 198.1	$ 89.0	$ 641.2
Gross contract assets	160.6	571.6	3.5	735.7
Total	$ 514.7	$ 769.7	$ 92.5	$ 1,376.9
Credit loss allowances	$ (23.1)	$ (1.0)	$ (1.4)	$ (25.5)
As a %	4.5 %	0.1 %	1.5 %	1.9 %

Client concentration risk

For the year ended March 31, 2024, contracts with the U.S. federal government and its various agencies included in the Defense and Security segment accounted for 21% (2023 – 23%) of consolidated revenue.

Liquidity risk

Liquidity risk is defined as the potential risk that the Company cannot meet its cash obligations as they become due.

The Company manages this risk by establishing cash forecasts, as well as long-term operating and strategic plans. The management of consolidated liquidity requires a regular monitoring of expected cash inflows and outflows which is achieved through a forecast of the Company's consolidated liquidity position, for efficient use of cash resources. Liquidity adequacy is assessed in view of seasonal needs, stress-test results, growth requirements and capital expenditures, and the maturity profile of indebtedness, including availability of credit facilities, working capital requirements, compliance with financial covenants and the funding of financial commitments. The Company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations. The Company also regularly monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility.

In managing its liquidity risk, the Company has access to a committed unsecured revolving credit facility of US$1.0 billion (2023 – US$1.0 billion). As well, the Company has agreements to sell interests in certain of its accounts receivable (receivable purchase facility) for an amount of up to US$400.0 million (2023 – US$400.0 million). As at March 31, 2024, the carrying amount of the original accounts receivable sold to a financial institution pursuant to the receivable purchase facility totaled $303.7 million (2023 - $266.7 million) of which $44.9 million (2023 – $42.4 million), corresponding to the extent of the Company's continuing involvement, remains in accounts receivable with a corresponding liability included in accounts payable and accrued liabilities.

The following tables present a maturity analysis based on the contractual maturity date of the Company's financial liabilities based on expected cash flows. Cash flows from derivatives presented either as derivative assets or liabilities have been included, as the Company manages its derivative contracts on a gross basis. The amounts are the contractual undiscounted cash flows. All amounts contractually denominated in foreign currency are presented in Canadian dollar equivalent amounts using the period-end spot rate except as otherwise stated:

As at March 31, 2024	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Accounts payable and accrued liabilities [1]	$ 775.8	$ 775.8	$ 775.8	$ —	$ —	$ —	$ —	$ —
Total long-term debt [2]								
Long-term debt (other than lease liabilities)	2,522.4	2,522.4	253.7	265.0	174.1	164.1	644.1	1,021.4
Interest and accretion	—	743.2	94.1	78.7	70.5	66.2	44.3	389.4
Lease liabilities	551.9	922.0	88.2	75.9	72.1	62.5	53.0	570.3
Other non-current liabilities [3]	87.1	164.7	—	24.8	22.7	28.5	21.9	66.8
	$ 3,937.2	$ 5,128.1	$ 1,211.8	$ 444.4	$ 339.4	$ 321.3	$ 763.3	$ 2,047.9
Net derivative financial liabilities (assets)								
Forward foreign currency contracts [4]	$ 9.3							
Outflow		$ 2,916.5	$ 2,522.6	$ 302.0	$ 69.3	$ 20.4	$ 2.2	$ —
Inflow		(2,905.7)	(2,514.3)	(299.2)	(68.7)	(21.1)	(2.4)	—
Foreign currency and interest rate swap agreements	(4.8)	3.9	(2.6)	(0.4)	0.3	0.6	6.0	—
Equity swap agreements	15.8	15.8	15.8	—	—	—	—	—
	$ 20.3	$ 30.5	$ 21.5	$ 2.4	$ 0.9	$ (0.1)	$ 5.8	$ —
	$ 3,957.5	$ 5,158.6	$ 1,233.3	$ 446.8	$ 340.3	$ 321.2	$ 769.1	$ 2,047.9

As at March 31, 2023	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Non-derivative financial liabilities								
Accounts payable and accrued liabilities [1]	$ 799.3	$ 799.3	$ 799.3	$ —	$ —	$ —	$ —	$ —
Total long-term debt [2]								
Long-term debt (other than lease liabilities)	2,794.2	2,794.2	133.4	486.7	264.2	171.5	562.7	1,175.7
Interest and accretion	—	734.5	120.2	93.8	73.9	67.5	53.9	325.2
Lease liabilities	455.9	724.6	104.5	62.7	55.9	51.5	47.6	402.4
Other non-current liabilities [3]	137.6	277.7	—	28.5	27.6	26.0	33.2	162.4
	$ 4,187.0	$ 5,330.3	$ 1,157.4	$ 671.7	$ 421.6	$ 316.5	$ 697.4	$ 2,065.7
Net derivative financial liabilities (assets)								
Forward foreign currency contracts [4]	$ 25.8							
Outflow		$ 2,119.4	$ 1,852.8	$ 186.3	$ 66.5	$ 13.8	$ —	$ —
Inflow		(2,092.2)	(1,832.5)	(182.2)	(64.1)	(13.4)	—	—
Foreign currency and interest rate swap agreements	(10.5)	(11.3)	(6.5)	(3.2)	(1.1)	(0.4)	(0.1)	—
Equity swap agreements	11.8	11.8	11.8	—	—	—	—	—
	$ 27.1	$ 27.7	$ 25.6	$ 0.9	$ 1.3	$ —	$ (0.1)	$ —
	$ 4,214.1	$ 5,358.0	$ 1,183.0	$ 672.6	$ 422.9	$ 316.5	$ 697.3	$ 2,065.7

[1] Includes trade accounts payable, accrued liabilities, interest payable, current portion of royalty obligations and certain payroll-related liabilities.

[2] Contractual cash flows include contractual interest and principal payments related to debt obligations. Contractual interests on debt obligations with variable interest rate are presented using the period-end rate.

[3] Includes non-current royalty obligations and other non-current liabilities.

[4] Outflows and inflows are presented in Canadian dollar equivalent using the contractual forward foreign currency rate.

The Company is party to an agreement that includes a put option, that if exercised, requires CAE to purchase the remaining equity interest in a joint venture. Under the terms of the agreement, the counterparty has the option to sell its shares in the joint venture at fair value. As at March 31, 2024, no value has been ascribed to the put option as the purchase price for the shares corresponds to their fair value.

Market risk

Market risk is defined as the Company's exposure to a gain or a loss in the value of its financial instruments as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is mainly exposed to foreign currency risk and interest rate risk.

Derivative instruments are utilized by the Company to manage market risk against the volatility in foreign exchange rates, interest rates and share-based payments in order to minimize their impact on the Company's results and financial position. The Company's policy is not to utilize any derivative financial instruments for trading or speculative purposes.

Foreign currency risk

Foreign currency risk is defined as the Company's exposure to a gain or a loss in the value of its financial instruments as a result of fluctuations in foreign exchange rates. The Company is exposed to foreign exchange rate variability primarily in relation to certain sale commitments, expected purchase transactions and debt denominated in a foreign currency, as well as on the net investment from its foreign operations which have functional currencies other than the Canadian dollar (in particular the U.S. dollar (USD), Euro (€ or EUR) and British pound (GBP or £). In addition, these operations have exposures to foreign exchange rates primarily through cash and cash equivalents and other working capital accounts denominated in currencies other than their functional currencies.

The Company mitigates foreign currency risks by having its foreign operations transact in their functional currency for material procurement, sale contracts and financing activities.

The Company uses forward foreign currency contracts and foreign currency swap agreements to manage the Company's exposure from transactions in foreign currencies and to hedge its net investment in U.S. entities. These transactions include forecasted transactions and firm commitments denominated in foreign currencies.

As at March 31, 2024, the Company entered into fixed to fixed cross currency principal and interest rate swap agreements to effectively convert the $400.0 million unsecured senior notes into U.S. dollars. The Company has designated the swap agreements as a hedge of its net investments in U.S. entities against foreign currency fluctuations.

The forward foreign currency contracts outstanding are as follows:

		2024		2023
Currencies (sold/bought)	**Notional amount [1]**	**Average rate**	Notional amount [1]	Average rate
USD/CDN				
Less than 1 year	**$ 1,280.2**	**0.74**	$ 864.6	0.74
Between 1 and 3 years	**268.9**	**0.75**	179.1	0.76
Between 3 and 5 years	**2.6**	**0.75**	12.8	0.77
EUR/CDN				
Less than 1 year	**340.1**	**0.68**	249.5	0.68
Between 1 and 3 years	**71.0**	**0.67**	61.8	0.71
Between 3 and 5 years	**19.4**	**0.65**	1.0	0.70
GBP/CDN				
Less than 1 year	**53.9**	**0.59**	73.4	0.62
Between 1 and 3 years	**5.4**	**0.59**	1.2	0.61
CDN/USD				
Less than 1 year	**467.9**	**1.35**	323.4	1.35
Between 1 and 3 years	**22.5**	**1.34**	10.7	1.31
Other currencies				
Less than 1 year	**381.2**	**n.a.**	341.9	n.a.
Between 1 and 3 years	**3.4**	**n.a.**	—	n.a.
Total	**$ 2,916.5**		$ 2,119.4	

[1] Exchange rates as at the end of the respective periods were used to translate amounts in foreign currencies.

The Company's foreign currency hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held until their maturity, consistent with the objective to fix currency rates on the hedged item.

Foreign currency risk sensitivity analysis
The following table presents the Company's exposure to foreign currency risk of financial instruments and the pre-tax effects on net income and OCI as a result of a reasonably possible strengthening of 5% in the relevant foreign currency against the Canadian dollar as at March 31. This analysis assumes all other variables remain constant.

	USD		€		GBP	
	Net income	OCI	Net income	OCI	Net income	OCI
2024	**$ 0.6**	**$ (15.7)**	**$ (1.3)**	**$ (1.9)**	**$ —**	**$ (0.2)**
2023	0.5	(10.9)	0.6	(5.0)	0.2	(0.1)

A weakening of 5% in the relevant foreign currency against the Canadian dollar would have an opposite impact on pre-tax income and OCI.

Interest rate risk
Interest rate risk is defined as the Company's exposure to a gain or a loss to the value of its financial instruments as a result of fluctuations in interest rates. The Company bears some interest rate fluctuation risk on its floating rate long-term debt and some fair value risk on its fixed interest long-term debt. The Company mainly manages interest rate risk by fixing project-specific floating rate debt in order to reduce cash flow variability. The Company has floating rate debts through its revolving credit facility and other specific floating rate debts. A mix of fixed and floating interest rate debt is sought to reduce the net impact of fluctuating interest rates. Derivative financial instruments used to manage interest rate exposures are mainly interest rate swap agreements. As at March 31, 2024, 93% (2023 – 73%) of the long-term debt bears fixed interest rates.

The Company's interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held until their maturity to establish asset and liability management matching, consistent with the objective to reduce risks arising from interest rate movements.

Interest rate risk sensitivity analysis
During the year ended March 31, 2024, a 1% increase in interest rates would decrease net income by $7.2 million (2023 - $8.8 million) and would not have a significant impact on OCI (2023 – not significant) assuming all other variables remained constant. A 1% decrease in interest rates would have an opposite impact on net income.

Hedge of share-based payments expense

The Company has entered into equity swap agreements with major Canadian financial institutions to reduce its exposure to fluctuations in its share price relating to the cash-settled share-based payments plans. Pursuant to the agreement, the Company receives the economic benefit of dividends and share price appreciation while providing payments to the financial institutions for the institution's cost of funds and any share price depreciation. The net effect of the equity swap agreements partly offset movements in the Company's share price impacting the cost of the cash-settled share-based payments plans. As at March 31, 2024, the equity swap agreements covered 2,400,000 common shares (2023 – 2,700,000) of the Company.

Hedge of net investments in foreign operations

As at March 31, 2024, the Company has designated a portion of its unsecured senior notes, term loans, revolving credit facility, fixed to fixed cross currency principal and interest rate swap agreements and foreign currency contracts totaling US$1,638.6 million (2023 - US$1,054.8 million) as a hedge of its net investments in U.S. entities. Gains or losses on the translation of the designated portion of these USD denominated long-term debts are recognized in OCI to offset any foreign exchange gains or losses on translation of the financial statements of those U.S. entities.

Letters of credit and guarantees

As at March 31, 2024, the Company had outstanding letters of credit and performance guarantees in the amount of $244.5 million (2023 – $242.5 million) issued in the normal course of business. These guarantees are issued under the revolving credit facility and bilateral facilities which are in most instances supported by the Performance Securities Guarantee (PSG).

The advance payment guarantees are related to progress/milestone payments made by the Company's customers and are reduced or eliminated upon delivery of the product. The contract performance guarantees are linked to the completion of the intended product or service rendered by the Company and to the customer's requirements. The customer releases the Company from these guarantees at the signing of a certificate of completion. The letter of credit for the lease obligation provides credit support for the benefit of the owner participant on a sale and leaseback transaction and varies according to the payment schedule of the lease agreement.

		2024		2023
Advance payments	**$**	**63.6**	$	50.8
Contract performance		**100.2**		106.7
Lease obligations		**19.8**		21.4
Financial obligations		**58.9**		59.7
Other		**2.0**		3.9
	$	**244.5**	$	242.5

Indemnifications

In certain transactions involving business dispositions or sales of assets, the Company may provide indemnification to the counterparties with respect to future claims for certain unknown liabilities that exist, or arise from events occurring, prior to the transaction date, including liabilities for taxes, legal matters, environmental exposures, product liability, and other obligations. The terms of the indemnifications vary in duration and scope. While some of the indemnifications specify a maximum potential exposure and/or a termination date, many do not.

The Company believes that, other than liabilities already accrued, the maximum potential future payments that it could be required to make under these indemnifications are not determinable at this time, as any future payments would be dependent on the type and extent of the related claims, and all available defences, including insurance, which cannot be estimated. However, historically, costs incurred to settle claims related to these indemnifications have not been material to the Company's consolidated financial position, net income or cash flows.

NOTE 31 – RELATED PARTY TRANSACTIONS

The Company's outstanding balances with its equity accounted investees are as follows:

		2024		2023
Accounts receivable (Note 10)	**$**	**58.8**	$	59.5
Contract assets		**34.2**		25.6
Other non-current assets		**22.9**		17.1
Accounts payable and accrued liabilities (Note 17)		**4.7**		5.7
Contract liabilities		**64.9**		58.0

The Company's transactions with its equity accounted investees are as follows:

		2024		2023
Revenue	**$**	**258.7**	$	223.0
Purchases		**6.0**		4.6
Other income		**0.6**		1.2

Compensation of key management personnel

Key management personnel have the ability and responsibility to make major operational, financial and strategic decisions for the Company and include members of the Board of Directors and certain executive officers. The compensation expense of key management for employee services recognized in income are as follows:

		2024		2023
Salaries, termination and other short-term employee benefits	**$**	**8.7**	$	7.6
Post-employment benefits – defined benefit plans		**3.8**		4.4
Share-based payments expense		**4.4**		1.7
	$	**16.9**	$	13.7

For the year ended March 31, 2024, the compensation earned by non-employee Directors of the Company amounted to $3.3 million (2023 – $2.9 million), which included the grant date fair value of deferred share units (DSUs) as well as cash payments.

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Management's Discussion and Analysis

for the fourth quarter and year ended March 31, 2024

1. HIGHLIGHTS

RE-BASELINING OF THE DEFENSE AND SECURITY BUSINESS, DEFENSE AND SECURITY IMPAIRMENTS AND ACCELERATED RISK RECOGNITION ON LEGACY CONTRACTS

On May 21, 2024, we announced a re-baselining of our Defense and Security business along with impairments and unfavourable contract adjustments related to eight previously identified fixed-price legacy contracts (the Legacy Contracts, as defined in Section 6.2 *"Defense and Security"* of this MD&A). In the fourth quarter of fiscal 2024, we recorded a $568.0 million non-cash impairment of Defense and Security goodwill and $90.3 million in unfavourable contract profit adjustments as a result of accelerated risk recognition on the Legacy Contracts. We also recorded a $35.7 million impairment of related technology and other non-financial assets which are principally related to the Legacy Contracts.

DISCONTINUED OPERATIONS AND RECLASSIFICATION OF COMPARATIVE FIGURES

On February 16, 2024, we announced the closing of the sale of our Healthcare business. In accordance with the requirements of IFRS 5,*Non-current Assets Held for Sale and Discontinued Operations*, the Healthcare segment is presented as discontinued operations. Consequently, the comparative consolidated income statement and consolidated statement of comprehensive income are reclassified as if the operation had been discontinued from the beginning of the comparative year. Unless otherwise indicated, results are presented on a continuing operations basis.

OTHER HIGHLIGHTS

On May 21, 2024, we announced that our Board of Directors approved, subject to the approval of the Toronto Stock Exchange (TSX), the re-establishment of a normal course issuer bid (NCIB). The NCIB is expected to commence shortly after regulatory approvals are obtained. The common shares that may be repurchased under such program over a period of approximately one year will represent up to 5 percent of the issued and outstanding common shares. The establishment of the program and the timing and amount of any purchases under the program is subject to regulatory approvals.

On May 21, 2024, we announced the appointment of Nick Leontidis to the new position of Chief Operating Officer (COO) as part of a senior leadership reorganization to further strengthen our execution capabilities and drive additional synergies between our Defense and Security business and Civil Aviation business. Mr. Leontidis was previously CAE's Group President, Civil Aviation. As COO, he will have overall responsibility for both of CAE's Civil and Defense business segments.

FINANCIAL

FOURTH QUARTER OF FISCAL 2024

(amounts in millions, except per share amounts, adjusted ROCE and book-to-sales ratio)		**Q4-2024**		Q4-2023		*Variance $*	*Variance %*
Performance							
Revenue	**$**	**1,126.3**	$	1,197.4	$	*(71.1)*	*(6 %)*
Operating (loss) income	**$**	**(533.0)**	$	178.3	$	*(711.3)*	*(399 %)*
Adjusted segment operating income[1]	**$**	**125.7**	$	193.4	$	*(67.7)*	*(35 %)*
Net (loss) income attributable to equity holders of the Company	**$**	**(504.7)**	$	93.6	$	*(598.3)*	*(639 %)*
Basic and diluted earnings per share (EPS) – continuing operations	**$**	**(1.58)**	$	0.29	$	*(1.87)*	*(645 %)*
Basic and diluted EPS – discontinued operations	**$**	**0.06**	$	0.02	$	*0.04*	*200 %*
Adjusted EPS[1]	**$**	**0.12**	$	0.33	$	*(0.21)*	*(64 %)*
Net cash provided by operating activities	**$**	**215.2**	$	180.6	$	*34.6*	*19 %*
Free cash flow[1]	**$**	**191.1**	$	147.6	$	*43.5*	*29 %*
Liquidity and Capital Structure							
Capital employed[1]	**$**	**7,216.8**	$	7,621.4	$	*(404.6)*	*(5 %)*
Adjusted return on capital employed (ROCE)[1]	**%**	**5.9**	%	5.6			
Total debt	**$**	**3,074.3**	$	3,250.1	$	*(175.8)*	*(5 %)*
Net debt[1]	**$**	**2,914.2**	$	3,032.5	$	*(118.3)*	*(4 %)*
Growth							
Adjusted order intake[1]	**$**	**1,550.5**	$	1,406.2	$	*144.3*	*10 %*
Adjusted backlog[1]	**$**	**12,183.9**	$	10,796.4	$	*1,387.5*	*13 %*
Book-to-sales ratio[1]		**1.38**		1.17			
Book-to-sales ratio for the last 12 months		**1.15**		1.21			

[1] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

FISCAL 2024

(amounts in millions, except per share amounts)	**FY2024**	FY2023	*Variance $*	*Variance %*
Performance				
Revenue	**$ 4,282.8**	$ 4,010.6	$ *272.2*	*7 %*
Operating (loss) income	**$ (185.4)**	$ 466.0	$ *(651.4)*	*(140 %)*
Adjusted segment operating income	**$ 549.7**	$ 538.4	$ *11.3*	*2 %*
Net (loss) income attributable to equity holders of the Company	**$ (325.3)**	$ 220.6	$ *(545.9)*	*(247 %)*
Basic and diluted EPS – continuing operations	**$ (1.02)**	$ 0.69	$ *(1.71)*	*(248 %)*
Basic and diluted EPS – discontinued operations	**$ 0.07**	$ 0.01	$ *0.06*	*600 %*
Adjusted EPS	**$ 0.87**	$ 0.87	$ —	— %
Net cash provided by operating activities	**$ 566.9**	$ 408.4	$ *158.5*	*39 %*
Free cash flow	**$ 418.2**	$ 333.1	$ *85.1*	*26 %*

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 *2024* mean the fiscal year ending March 31, 2024;
– *Last year, prior year* and *a year ago* mean the fiscal year ended March 31, 2023;
– Dollar amounts are in Canadian dollars.

This MD&A was prepared as of May 27, 2024. It is intended to enhance the understanding of our annual consolidated financial statements and notes for the year ended March 31, 2024 and should therefore be read in conjunction with this document. We have prepared it to help you understand our business, performance and financial condition for the year ended March 31, 2024. 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). All quarterly information disclosed in the MD&A is based on unaudited figures.

The MD&A 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 12.1 *"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 12.1 "*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. 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, and our ability to complete the integration of the AirCentre business and the separation of the CAE Healthcare business within the anticipated time periods and at the expected cost levels. 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 additional 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.

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.

Efficient growth
Our business features a high degree of recurring revenues due to the underlying characteristics of our technology-enabled solutions and regulatory requirements across our markets. We seek to maximize the benefits of our strong competitive position to deliver premium growth and profitability through a focus on operational rigour, cost optimization, capital efficiency, and a disciplined approach to pursuing organic and inorganic growth.

Technology and market leadership
We have a rich and long-dated history of customer centricity, innovation and delivering state-of-the-art technology solutions that define the forefront of the industries we operate in. As a result, we constantly seek new ways to enhance the performance of our customers by fostering a culture of continuous improvement and innovation. This drives technology leadership, deeper customer partnerships, and new customer development, enabling us to capitalize on the ample headroom in our large, growing addressable markets.

Revolutionizing training and critical operations
We are a global leader in the application of training, digital immersion, critical operations, and modelling and simulation technologies. We seek to use data-driven applications and advanced analytics to produce measurable and demonstrated outcomes in our markets. The efficacy of our technology solutions enables customized, collaborative, and multi-domain offerings. Furthermore, our technologies are deployed with a focus on driving sustainability.

Skills and culture
Our core values are innovation, integrity, empowerment, excellence and One CAE. We employ these values across a diverse global team to drive a unique social impact. We seek to create an employee experience and environment that values teamwork, professional growth, and engagement. As a result, our employees across the globe share a passion to prepare our customers for the moments that matter.

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.

On February 16, 2024, we announced the closing of the sale of CAE's Healthcare business. The Healthcare segment is presented as discontinued operations and you will find more details in Section 9 *"Discontinued operations"* of this MD&A.

CIVIL AVIATION MARKET

We have the unique capability and global scale to address the total lifecycle needs of the professional pilot, from cadet to captain, with our comprehensive aviation training solutions. We are the world's largest provider of civil aviation training services. Our deep industry experience and thought leadership, large installed base, strong relationships and reputation as a trusted partner enable us to access a broader share of the market than any other company in our industry. We provide aviation training services in more than 35 countries and through our broad global network of approximately 70 sites, we serve all sectors of civil aviation including airlines and other commercial, business and helicopter aviation operators.

Among our thousands of customers, we have long-term training centre operations, training services agreements and joint ventures with approximately 50 major airlines and aircraft operators around the world. Our range of training solutions includes product and service offerings for pilots, cabin crew and aircraft maintenance technicians, training centre operations, curriculum development, courseware solutions and consulting services. We currently manage 343 full-flight simulators (FFSs), including those operating in our joint ventures. We offer industry-leading technology, and we are shaping the future of training through innovations such as our next generation training systems, including CAE Real-time Insights and Standardized Evaluations (CAE Rise), which improves training quality, objectivity and efficiency through the integration of untapped flight and simulator data-driven insights into training. In the development of new pilots, we operate the largest ab initio flight training network in the world and have approximately 20 cadet training programs globally. With our CAE flight operation solutions, we have further strengthened our position as a technology leader, complementing our flight simulator and training solutions while increasing our total addressable market.

Quality, fidelity, reliability and innovation are hallmarks of the CAE brand in flight simulation and we are the world leader in the development of civil flight simulators. We continuously innovate our processes and lead the market in the design, manufacture and integration of civil FFSs for major and regional commercial airlines, business aircraft operators, third-party training centres and OEMs. For example, as we are entering a new era of aviation with Advanced Air Mobility (AAM), disruptive aerospace companies are building new aircraft types from the ground up. This will create a large demand for trained professional pilots to safely fly both passengers and cargo across markets. CAE has already partnered with five electric vertical takeoff and landing (eVTOL) developers in order to support the evolution of this new industry. We are positioned to develop the pilot workforce of the future and ensure safe introduction of eVTOL operations by leveraging our technologies and expertise in aviation safety.

We have established a wealth of experience in developing first-to-market simulators for more than 35 types of aircraft models. Our flight simulation equipment, including FFSs, are designed to meet the rigorous demands of their long and active service lives, often spanning several decades of continuous use. Our global reach enables us to provide best-in-class support services such as real-time, remote monitoring and enables us to leverage our extensive worldwide network of spare parts and service teams.

We believe the Civil Aviation segment is positioned as a gateway in a highly regulated, secular growth market, with an addressable market estimated at approximately $6.5 billion, and headroom for growth.

Market drivers

Demand for training and flight operations solutions in the civil aviation market is driven by the following:

– Pilot and maintenance training and industry regulations;
– Safety and efficiency imperatives of commercial airlines and business aircraft operators;
– Expected long-term secular global growth in air travel;
– Expected long-term growth, including new aircraft deliveries and renewal of the active fleet of commercial and business aircraft;
– Demand for trained aviation professionals;
– Complexity of flight operations solutions;
– Emergence of the newer market for advanced air mobility.

Pilot and maintenance training and industry regulations
Civil aviation training is a largely recurring business driven by a highly-regulated environment through global and domestic standards for pilot licensing and certification, amongst other regulatory requirements. These recurring training requirements are mandatory and are regulated by national and international aviation regulatory authorities such as the International Civil Aviation Organization (ICAO), European Aviation Safety Agency (EASA) and the U.S. Federal Aviation Administration (FAA).

In recent years, pilot certification processes and regulatory requirements have become increasingly stringent. Simulation-based pilot certification training is taking on a greater role internationally with the Multi-Crew Pilot License, with the Airline Transport Pilot certification requirements in the U.S. and with Upset Prevention and Recovery Training requirements mandated by both EASA and the FAA.

Safety and efficiency imperatives of commercial airlines and business aircraft operators
The commercial airline industry is competitive, requiring operators to continuously pursue operational excellence and efficiency initiatives to achieve satisfactory returns while continuing to maintain the highest safety standards and the confidence of air travelers. Airlines are finding it increasingly more effective to seek expertise in training from trusted partners such as CAE to address growing efficiency gaps, pilot capability gaps, evolving regulatory and training environments, and on-going aircraft programs. Additionally, CAE offers business jet pilots one of the most advanced, respected and accessible training programs in the industry, covering a wide spectrum of business aircrafts. Partnering with CAE gives immediate access to a world-wide fleet of simulators, courses, programs and instruction capabilities, and allows them flexibility in pursuing fleet training options that suit their business.

Our pilot training system, CAE Rise, is well positioned to elevate the pilot training experience. This system enables instructors to deliver training in accordance with airlines' Standard Operating Procedures and enables instructors to objectively assess pilot competencies using live data during training sessions. Furthermore, CAE Rise augments instructors' capability to identify pilot proficiency gaps and evolve airline training programs to the most advanced aviation safety standards, including Advanced Qualification Program and Evidence Based Training methodologies.

Expected long-term secular global growth in air travel
The secular growth in air travel results in long-term demand for flight, cabin, maintenance and ground personnel, which in turn drives demand for training and flight operations solutions.

In commercial aviation, as per the International Air Transport Association (IATA), global air passenger demand, measured by revenue passenger-kilometers (RPKs), has shown a strong increase of 37% for calendar 2023 compared to calendar 2022. For the first three months of calendar 2024, worldwide passenger traffic increased by 17% compared to the first three months of calendar 2023. Passenger traffic in Asia grew by 31%, while in Europe and North America it increased by 11% and 7% respectively over the same period.

Air cargo has seen a slight reduction in demand in recent months, with cargo tonne-kilometers down 2% for calendar 2023 compared to calendar 2022. For the first three months of calendar 2024, cargo tonne-kilometers increased by 13% compared to the first three months of calendar 2023.

In business aviation, the recovery post-COVID has been very strong, reaching a historical peak in calendar 2021. Both the FAA and Eurocontrol, the European Organisation for the Safety of Air Navigation, have shown a decrease in flight activity in the last year. The activity remains above the calendar 2019 average for both FAA and EASA. The FAA has shown a decrease of 4% in the total number of business jet flights, remaining at 12% above calendar 2019 levels, which includes all domestic and international flights over the past 12 months. The European business jet market has declined; according to Eurocontrol, the total number of business aviation flights in Europe have decreased by 6% over the same period, remaining stable with calendar 2019 levels.

Additionally, high inflation, the continuing military hostilities in Ukraine, the war between Hamas and Israel, and industry supply chain issues are causing disruptions to our Civil operations.

Expected long-term growth, including new aircraft deliveries and renewal of the active fleet of commercial and business aircraft
As an integrated training solutions provider, our long-term growth is closely tied to the active commercial and business aircraft fleet. Both commercial and business aviation fleets are expected to grow over the next decade, with significant backlogs reported by all OEMs. Short and medium-term growth in aircraft fleets may experience pressure as OEMs face supply, capacity, and certification challenges in delivering aircraft.

Major business jet OEMs are continuing with plans to introduce a variety of new aircraft models in the upcoming years including Dassault's Falcon 10X and the Bombardier Global 8000.

Our business aviation training network, comprehensive suite of training programs, key long-term OEM partnerships and ongoing network investments, position us well to effectively address the training demand arising from the entry-into-service of these new aircraft programs.

Our strong competitive moat in the aviation market, as defined by our extensive global training network, best-in-class instructors, comprehensive training programs and strength in training partnerships with airlines and business aircraft operators, allows us to effectively address training needs that arise from a growing active fleet of aircraft.

We are well positioned to leverage our technology leadership and expertise, including CAE 7000XR Series FFSs, CAE 400XR, 500XR, and 600XR Series Flight Training Devices and CAE Simfinity™ ground school solutions, in delivering training equipment solutions that address the growing training needs of airlines, business jet operators, helicopter operators and now AAM.

Demand for trained aviation professionals
Demand for trained aviation professionals is driven by air traffic growth, pilot retirements and by the number of aircraft deliveries. The expansion of global economies and operator aircraft fleets have resulted in demand for qualified aviation professionals to support the expected growth of the commercial and business aviation markets. We are well positioned in the training products and services market to address operators' training requirements.

In June 2023, we released our 2023 Aviation Talent Forecast in which we estimated a global requirement of 1.3 million new aviation professionals over the next ten years to sustain growth in the civil aviation industry and support mandatory retirements. In the commercial aviation domain, the projections show demand for 1.2 million new aviation professionals, including 252,000 pilots, 328,000 maintenance technicians and 599,000 cabin crew professionals. The business aviation segment anticipates 106,000 professionals comprising 32,000 pilots and 74,000 maintenance technicians. Furthermore, we expect additional demand for new professionals in the emerging AAM sector with the future entry-into-service of eVTOL aircraft.

Complexity of flight operations solutions
Airlines need to closely manage their operations which come with daily challenges. To help optimize these operations, we offer a suite of flight service products. This suite of products provides solutions for flight operations including training management, crew management, flight management, airport management, in-flight services management and operations control. These products enable optimized management for schedule disruptions and allows for maximized resources for all personnel and aircrafts.

The benefits for our flight management solution include reduced fuel and carbon emissions for both regular and irregular operations. Our crew and airport management solution decreases disruption related crew costs and improved staff utilization. Finally, our movement management solution decreases delay and cancellation costs for airlines.

Emergence of the newer market for advanced air mobility
AAM and the developing eVTOL aircraft are emerging into a new era of aviation. We look at this new industry as a potential new avenue for pilot training. This technology is expected to promote community acceptance, instill confidence in the public, influence regulators to implement rules and policies that will stimulate growth, and ensure safety in this emerging industry.

DEFENSE AND SECURITY MARKET

Defense and Security addresses the critical needs of its customers operating in complex environments. The ever-changing global landscape requires the U.S. and its allies to prepare for the possibility of near-peer threats across multi-domain operations in air, land, sea, space and cyber. Aligned with the priorities of U.S. and allied national defence strategies, we leverage our core training and simulation expertise with advanced digital technologies to deliver innovative and scalable solutions that address military training modernization and enhanced mission support requirements.

Our customers depend on synthetic training and next-generation situational awareness to ensure mission success through planning, preparation, and analysis in complex, multi-domain environments. Leveraging our global training system, we work with the military, government, and industry to deliver tailored solutions at the pace and point of need. From mixed-reality task training devices to high-fidelity full-mission simulators and aircrews to maintenance technicians, we support more than 85 different platforms across more than 145 sites and all domains. Our extensive suite of simulation-based technologies coupled with advanced capabilities like biometrics, real-time feedback, artificial intelligence (AI) and adaptive rehearsal scenarios enhances training to deliver scalable and integrated solutions to critical personnel.

Utilizing the strength and expertise that spans our global business, our solutions range from turnkey training centres to tailored live, virtual, and constructive solutions at government-owned locations. We are everywhere our customers need us to be with a global network and local expertise to deliver training efficacy at all proficiency levels. At the CAE Dothan Training Center in Alabama, U.S. Army fixed-wing candidates enter initial training, while the U.S. Air Force (USAF) initial entry training is maintained at CAE's Pueblo Training Center in Colorado. Outside of the U.S., we provide basic and advanced flight training at NATO Flight Training Centres across multiple sites in Canada. Leveraging our expertise and strategic partnerships, we also support training in Europe with the International Flight Training School in Italy, a joint venture with Leonardo, along with providing ab initio training for the German Air Force at CAE's Bremen Training Centre in Germany and a site in Montpellier, France.

As a collaborative partner with industry and government, we enhance customer readiness and mitigate challenges to enable rapid modernization. New generational platforms and programs are rapidly transforming global training and require adaptive approaches to advance defence force readiness. We are essential team members for generational programs like Canada's Future Aircrew Training (FAcT) through SkyAlyne, our joint venture with KF Aerospace, the MQ-9B SkyGuardian® Remotely Piloted Aircraft Systems (RPAS) with General Atomics Aeronautical Systems, Inc. as well as the Bell Textron's tiltrotor aircraft for the U.S. Army Future Long Range Assault Aircraft. We continue to create opportunities through partnerships with Lockheed Martin on global C-130 training solutions, Boeing to support mission-critical platforms like the P-8 and CH-47 and our position as the Authorized Training Provider for Bombardier's Global 6500 for the High Accuracy Detection and Exploitation System. Increasing complexities of contracts and systems drive the industry toward collaboration as we continue to leverage our strategic relationships and culture of innovation to meet the ever-changing market landscape.

The mission readiness of defence and security forces requires connecting customers, platforms and locations in a secured multi-domain environment for training and rehearsal. A real-time enterprise network, like the USAF Simulators Common Architecture Requirements and Standards (SCARS), is critical in enhancing operational test and training infrastructure and supporting distributed mission training and multi-domain operations. We lead the integration and standardization of aircraft simulators on SCARS to operate and train together in a strict cyber secure environment. Leveraging our expertise on SCARS and other programs like Flight School Training Support Services for the U.S. Army, and the Platforms and Systems Training Contract for the Royal Australian Navy, we address the vast complexity and scale of digital environments, empower decision-makers at every level and advance the rigor of data-driven capabilities and assessments so that our customers stay ahead of the evolving security landscapes.

We believe the Defense and Security segment is positioned as a strategic partner to achieve transformational digital training solutions, next-generation situational awareness, and multi-domain operations. We estimate our addressable defence market across all five domains to be approximately US$22.7 billion.

Market drivers

Demand for training and operational support solutions in the defence and security markets is driven by the following:

- Continued increase in defence spending as a reflection of heightened global tensions;
- Expected stable demand on enduring platforms and increased opportunities on next-generation systems and technology;
- Maximization of efficiencies through outsourced training and support services;
- Increased competition straining military aviation recruitment, training and retention;
- Demand for integrated network training systems to support multi-domain conflict;
- Expanded utilization of synthetic environments to support efficacy, reduce costs and lower environmental impact.

Continued increase in defence spending as a reflection of heightened global tensions

According to the Stockholm International Peace Research Institute, global military expenditures increased by 6.8% in 2023, reaching US$2.4 trillion. The immediate challenges posed by geopolitical instability and near-peer threats across multi-domain operations will continue to drive expected increases in defence budgets. Economic headwinds and a potential need to reverse current levels of deficit spending could impact global defence; however, training is fundamental to achieving and maintaining mission readiness and budget pressures will push more training into the cost-effective virtual environment, thus creating increased opportunities for our products, services and digital capabilities.

Expected stable demand on enduring platforms and increased opportunities on next-generation systems and technology

We generate a high degree of recurring business from our strong position on enduring platforms, including long-term service contracts. Defence forces in mature markets maximize the use of their existing platforms through upgrades, updates, and life extension programs of existing assets, creating opportunities for simulator upgrades and training support services. In addition, substantial demand for enduring platforms such as the C-130, P-8, F-16, C295, MH-60R, NH90 and MQ-9 in global defence markets requires new training systems and services. Opportunities continue to expand as defence forces prepare for next-generation platforms, and the ever-increasing interaction and teaming of manned and unmanned systems. Our global reach with critical defence customers in key regions, as well as strategic relationships with OEM provider including Boeing, Lockheed Martin and Bell Textron uniquely position us to support next-generation platforms, and enable the efficient transition from current to future state training.

Maximization of efficiencies through outsourced training and support services

Another driver for our expertise and capabilities is the efficiency gained by our customers from outsourcing training and support services. Defence forces and governments continue to find ways to maximize efficiency and enhance readiness, which includes allowing active-duty personnel to focus on operational requirements. There has been a growing trend among defence forces to consider outsourcing a variety of training and operational support services. We expect this trend to continue, which aligns directly with our strategy to grow long-term, recurring services business. We believe governments will increasingly look to industry for training and operational support solutions to achieve faster delivery, lower capital investment requirements, and desired readiness levels.

Increased competition straining military aviation recruitment, training and retention

High demand from the civil commercial and business aviation sector has impacted the recruitment, training and retention of military pilots. The challenge has led to defence forces looking at numerous initiatives to address the potential pilot shortage, including modernization efforts and initiatives related explicitly to training innovation, such as the U.S. Air Force Pilot Training Transformation project and Canada's FAcT program. Defence forces are considering outsourcing instructor pilot positions and adopting new technologies that help make pilot training more effective and efficient to increase throughput, creating opportunities for our products, services and solutions.

Demand for integrated network training systems to support multi-domain conflict
The shift in the nature of the geopolitical environment and the pivot to preparing for a near-peer adversary, combined with limited personnel and budget pressures, have prompted defence forces globally to outsource the development, management and delivery of training systems required to support today's complex environments. Increasingly, defence forces are considering a more integrated and holistic approach to training across all domains – air, land, sea, space and cyber. Defence forces are seeking to maximize commonality for increased efficiencies, cost savings, integration and immersive training across multi-domain operations. As a training systems integrator, we leverage our leadership experience on programs like the USAF SCARS, to address the enterprise training network and deliver comprehensive solutions that enhance operational test and training infrastructure and support distributed mission training and multi-domain operations.

Expanded utilization of synthetic environments to support efficacy, reduce costs and lower environmental impact
One of the underlying drivers for our expertise and capabilities is the increasing use of synthetic training throughout the defence community. More defence forces and governments are adopting synthetic environments for a greater percentage of their overall approach to improve training effectiveness, reduce operational demands on platforms, lower risks in training and significantly lower costs. Additional benefits of synthetic training mitigate our customers' environmental impact by providing a safer form of multi-domain training with a significant reduction in the carbon footprint compared to live training in a real environment. At the same time, these digitally immersive synthetic environments, when combined with AI and cloud computing, can provide a tool for planning, course of action analysis, and mission support.

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:

	2024	2023	Increase / (decrease)
U.S. dollar (US$ or USD)	**1.35**	1.35	*— %*
Euro (€ or EUR)	**1.46**	1.47	*(1 %)*
British pound (£ or GBP)	**1.71**	1.67	*2 %*

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

	Q4-2024	Q4-2023	Increase / (decrease)	**FY2024**	FY2023	Increase / (decrease)
U.S. dollar (US$ or USD)	**1.35**	1.35	*— %*	**1.35**	1.32	*2 %*
Euro (€ or EUR)	**1.46**	1.45	*1 %*	**1.46**	1.38	*6 %*
British pound (£ or GBP)	**1.71**	1.64	*4 %*	**1.69**	1.59	*6 %*

For fiscal 2024, the effect of translating the results of our foreign operations into Canadian dollars resulted in an increase in revenue of $80.7 million and an increase in adjusted segment operating income of $8.9 million, when compared to fiscal 2023. We calculated this by translating the current year's foreign currency revenue and net income of our foreign operations using the average monthly exchange rates from the previous year and comparing these adjusted amounts to our current year reported results. You will find more details about our foreign exchange exposure and hedging strategies in Section 10 "*Business risk and uncertainty"* of this MD&A. A sensitivity analysis for foreign currency risk is included in Note 30 of our consolidated financial statements.

5. CONSOLIDATED RESULTS

5.1 Results from operations – fourth quarter of fiscal 2024

(amounts in millions, except per share amounts)		**Q4-2024**	Q3-2024	Q2-2024	Q1-2024	Q4-2023
Continuing operations						
Revenue	**$**	**1,126.3**	1,094.5	1,050.0	1,012.0	1,197.4
Cost of sales	**$**	**844.8**	791.9	765.3	726.3	860.6
Gross profit	**$**	**281.5**	302.6	284.7	285.7	336.8
As a % of revenue[2]	***%***	***25.0***	*27.6*	*27.1*	*28.2*	*28.1*
Research and development expenses	**$**	**41.7**	38.1	33.3	36.7	37.8
Selling, general and administrative expenses	**$**	**138.1**	140.9	132.3	123.7	134.2
Other (gains) and losses	**$**	**36.3**	(4.8)	(2.2)	(1.4)	(9.3)
After-tax share in profit of equity accounted investees	**$**	**(24.6)**	(16.7)	(14.3)	(16.6)	(19.3)
Restructuring, integration and acquisition costs	**$**	**55.0**	23.5	37.9	15.0	15.1
Impairment of goodwill	**$**	**568.0**	—	—	—	—
Operating (loss) income	**$**	**(533.0)**	121.6	97.7	128.3	178.3
As a % of revenue[2]	***%***	***—***	*11.1*	*9.3*	*12.7*	*14.9*
Finance expense – net	**$**	**52.4**	52.4	47.1	53.1	50.4
(Loss) earnings before income taxes	**$**	**(585.4)**	69.2	50.6	75.2	127.9
Income tax (recovery) expense	**$**	**(80.6)**	8.2	(8.3)	7.9	30.8
As a % of earnings before income taxes (effective tax rate)	***%***	***14***	*12*	*(16)*	*11*	*24*
Net (loss) income from continuing operations	**$**	**(504.8)**	61.0	58.9	67.3	97.1
Net income (loss) from discontinued operations	**$**	**20.5**	(1.9)	2.2	0.5	4.8
Net (loss) income	**$**	**(484.3)**	59.1	61.1	67.8	101.9
Attributable to:						
Equity holders of the Company	**$**	**(484.2)**	56.5	58.4	65.3	98.4
Non-controlling interests	**$**	**(0.1)**	2.6	2.7	2.5	3.5
	$	**(484.3)**	59.1	61.1	67.8	101.9
EPS attributable to equity holders of the Company						
Basic and diluted – continuing operations	**$**	**(1.58)**	0.18	0.17	0.20	0.29
Basic and diluted – discontinued operations	**$**	**0.06**	(0.01)	0.01	—	0.02
Adjusted segment operating income[2]	**$**	**125.7**	145.1	135.6	143.3	193.4
Adjusted net income[2]	**$**	**38.7**	76.6	85.2	76.3	106.1
Adjusted EPS[2]	**$**	**0.12**	0.24	0.26	0.24	0.33

Revenue was 6% lower compared to the fourth quarter of fiscal 2023
Revenue was $1,126.3 million this quarter, $71.1 million or 6% lower than the fourth quarter of fiscal 2023. Revenue variances by segment were as follows:

(amounts in millions) *Three months ended March 31*		**2024**		2023		*Variance $*	*Variance %*
Civil Aviation	**$**	**700.8**	$	661.4	*$*	*39.4*	*6 %*
Defense and Security		**425.5**		536.0		*(110.5)*	*(21 %)*
Revenue	**$**	**1,126.3**	$	1,197.4	*$*	*(71.1)*	*(6 %)*

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

[2] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

Gross profit was 16% lower compared to the fourth quarter of fiscal 2023
Gross profit was $281.5 million this quarter (25.0% of revenue) compared to $336.8 million (28.1% of revenue) in the fourth quarter of fiscal 2023. The decrease in gross profit and gross profit margin compared to the fourth quarter of fiscal 2023 was mainly due to the impact of unfavourable profit adjustments of $90.3 million recorded this quarter related to the Legacy Contracts in Defense and Security, partially offset by higher revenue recognized in Civil Aviation.

Operating loss was $533.0 million this quarter, a decrease of $711.3 million compared to the fourth quarter of fiscal 2023
Operating loss was $533.0 million this quarter compared to an operating income of $178.3 million (14.9% of revenue) in the fourth quarter of fiscal 2023. Operating income (loss) variances by segment were as follows:

(amounts in millions)

Three months ended March 31		**2024**		2023		*Variance $*	*Variance %*
Civil Aviation	**$**	**147.0**	$	149.3	*$*	*(2.3)*	*(2 %)*
Defense and Security		**(680.0)**		29.0		*(709.0)*	*(2,445 %)*
Operating (loss) income	**$**	**(533.0)**	$	178.3	*$*	*(711.3)*	*(399 %)*

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

Adjusted segment operating income was 35% lower compared to the fourth quarter of fiscal 2023
Adjusted segment operating income was $125.7 million this quarter (11.2% of revenue) compared to $193.4 million (16.2% of revenue) in the fourth quarter of fiscal 2023. Adjusted segment operating income (loss) variances by segment were as follows:

(amounts in millions)

Three months ended March 31		**2024**		2023		*Variance $*	*Variance %*
Civil Aviation	**$**	**191.4**	$	162.9	*$*	*28.5*	*17 %*
Defense and Security		**(65.7)**		30.5		*(96.2)*	*(315 %)*
Adjusted segment operating income	**$**	**125.7**	$	193.4	*$*	*(67.7)*	*(35 %)*

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

Finance expense - net was 4% higher compared to the fourth quarter of fiscal 2023
Finance expense - net was $52.4 million this quarter, compared to $50.4 million in the fourth quarter of fiscal 2023. The increase was mainly due to higher finance expense on lease liabilities.

Effective tax rate was 14% this quarter
Income tax recovery this quarter amounted to $80.6 million, representing an effective tax rate of 14%, compared to an income tax expense of $30.8 million for the fourth quarter of fiscal 2023, representing an effective tax rate of 24%. The adjusted effective tax rate[3] on our adjusted net income was 47% this quarter compared to 23% in the fourth quarter of fiscal 2023. The increase in the adjusted effective tax rate was mainly attributable to the derecognition of tax assets previously recorded in Europe partially offset by the change in the mix of income from various jurisdictions.

Net income from discontinued operations was $20.5 million this quarter
Net income from discontinued operations was $20.5 million this quarter compared to $4.8 million in the fourth quarter of fiscal 2023. The increase compared to the fourth quarter of fiscal 2023 was mainly attributable to the after-tax gain on disposal of discontinued operations of $16.5 million in relation to the sale of the Healthcare business.

You will find more details in Section 9 "*Discontinued operations*" of this MD&A.

[3] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

5.2 Results from operations – fiscal 2024

(amounts in millions, except per share amounts)		**FY2024**	FY2023
Continuing operations			
Revenue	**$**	**4,282.8**	4,010.6
Cost of sales	**$**	**3,128.3**	2,927.1
Gross profit	**$**	**1,154.5**	1,083.5
As a % of revenue	***%***	***27.0***	*27.0*
Research and development expenses	**$**	**149.8**	129.0
Selling, general and administrative expenses	**$**	**535.0**	501.5
Other (gains) and losses	**$**	**27.9**	(22.4)
After-tax share in profit of equity accounted investees	**$**	**(72.2)**	(53.2)
Restructuring, integration and acquisition costs	**$**	**131.4**	62.6
Impairment of goodwill	**$**	**568.0**	—
Operating (loss) income	**$**	**(185.4)**	466.0
As a % of revenue	***%***	***—***	*11.6*
Finance expense – net	**$**	**205.0**	173.6
(Loss) earnings before income taxes	**$**	**(390.4)**	292.4
Income tax (recovery) expense	**$**	**(72.8)**	62.6
As a % of earnings before income taxes (effective tax rate)	***%***	***19***	*21*
Net (loss) income from continuing operations	**$**	**(317.6)**	229.8
Net income from discontinued operations	**$**	**21.3**	2.1
Net (loss) income	**$**	**(296.3)**	231.9
Attributable to:			
Equity holders of the Company	**$**	**(304.0)**	222.7
Non-controlling interests	**$**	**7.7**	9.2
	$	**(296.3)**	231.9
EPS attributable to equity holders of the Company			
Basic and diluted – continuing operations	**$**	**(1.02)**	0.69
Basic and diluted – discontinued operations	**$**	**0.07**	0.01
Adjusted segment operating income	**$**	**549.7**	538.4
Adjusted net income	**$**	**276.8**	275.9
Adjusted EPS	**$**	**0.87**	0.87

Revenue was 7% higher compared to last year
Revenue was $4,282.8 million this year, $272.2 million or 7% higher than last year. Revenue variances by segment were as follows:

(amounts in millions)

Years ended March 31		**2024**		2023		*Variance $*	*Variance %*
Civil Aviation	**$**	**2,435.8**	$	2,166.4	*$*	*269.4*	*12 %*
Defense and Security		**1,847.0**		1,844.2		*2.8*	*— %*
Revenue	**$**	**4,282.8**	$	4,010.6	*$*	*272.2*	*7 %*

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

Gross profit was 7% higher compared to last year
Gross profit was $1,154.5 million this year (27.0% of revenue) compared to $1,083.5 million (27.0% of revenue) last year. The increase in gross profit compared to last year was mainly due to higher revenue recognized in Civil Aviation, partially offset by the impact of unfavourable profit adjustments on contracts recorded in the current and prior year, specifically $90.3 million related to the Legacy Contracts recorded in the fourth quarter of fiscal 2024, compared to $28.9 million recorded on two U.S. programs in the first quarter of fiscal 2023.

Operating loss was $185.4 million this year, a decrease of $651.4 million compared to last year
Operating loss was $185.4 million this year compared to an operating income of $466.0 million (11.6% of revenue) last year. Operating income (loss) variances by segment were as follows:

(amounts in millions)						
Years ended March 31		**2024**		2023	*Variance $*	*Variance %*
Civil Aviation	**$**	**442.0**	$	430.3	*$ 11.7*	*3 %*
Defense and Security		**(627.4)**		35.7	*(663.1)*	*(1,857 %)*
Operating (loss) income	**$**	**(185.4)**	$	466.0	*$ (651.4)*	*(140 %)*

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

Adjusted segment operating income was 2% higher compared to last year
Adjusted segment operating income was $549.7 million this year (12.8% of revenue) compared to $538.4 million (13.4% of revenue) last year. Adjusted segment operating income variances by segment were as follows:

(amounts in millions)						
Years ended March 31		**2024**		2023	*Variance $*	*Variance %*
Civil Aviation	**$**	**548.9**	$	485.3	*$ 63.6*	*13 %*
Defense and Security		**0.8**		53.1	*(52.3)*	*(98 %)*
Adjusted segment operating income	**$**	**549.7**	$	538.4	*$ 11.3*	*2 %*

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

Finance expense - net was $31.4 million higher than last year

(amounts in millions)		**FY2023 to FY2024**
Finance expense - net, prior period	**$**	**173.6**
Change in finance expense from the prior period:		
Increase in finance expense on long-term debt (other than lease liabilities)	**$**	**18.8**
Increase in finance expense on lease liabilities		**9.2**
Decrease in finance expense on royalty obligations		**(0.6)**
Increase in other finance expense		**7.2**
Decrease in borrowing costs capitalized		**0.9**
Increase in finance expense from the prior period	**$**	**35.5**
Change in finance income from the prior period:		
Increase in interest income on loans and finance lease contracts	**$**	**(0.7)**
Increase in other finance income		**(3.4)**
Increase in finance income from the prior period	**$**	**(4.1)**
Finance expense - net, current period	**$**	**205.0**

Net finance expense was $205.0 million, $31.4 million higher compared to the same period last year. The increase was mainly due to higher finance expense on long-term debt from an increased level of borrowing and higher variable interest rates and higher finance expense on lease liabilities in support of training network expansions.

Effective tax rate was 19% this year
Income tax recovery this year amounted to $72.8 million, representing an effective tax rate of 19%, compared to an income tax expense of $62.6 million for the same period last year, representing an effective tax rate of 21%. The adjusted effective tax rate on our adjusted net income was 17% this year compared to 22% last year. The decrease in the adjusted effective tax rate was mainly attributable to the change in the mix of income from various jurisdictions, the recognition of previously unrecognized deferred tax assets in relation to the statutory combination of certain foreign operations and an income tax benefit resulting from the tax court decision in the first quarter of fiscal 2024, partially offset by the derecognition of tax assets previously recorded in Europe.

Net income from discontinued operations was $21.3 million this year
Net income from discontinued operations was $21.3 million this year, $19.2 million higher compared to the same period last year. The increase was mainly due to the after-tax gain on disposal of discontinued operations of $16.5 million incurred in the fourth quarter of fiscal 2024 in relation to the sale of the Healthcare business.

You will find more details in Section 9 "*Discontinued operations*" of this MD&A.

5.3 Restructuring, integration and acquisition costs

	FY2024	FY2023	Q4-2024	Q4-2023
Integration and acquisition costs	**$ 79.9**	$ 65.8	**$ 15.0**	$ 14.8
Severances and other employee related costs	**31.2**	2.0	**19.7**	0.3
Impairment of non-financial assets - net	**19.2**	1.8	**19.2**	—
Other costs	**1.1**	2.8	**1.1**	—
Impairment reversal of non-financial assets following their repurposing and optimization	**—**	(9.8)	—	—
Total restructuring, integration and acquisition costs	**$ 131.4**	$ 62.6	**$ 55.0**	$ 15.1

On February 16, 2024, concurrent with the sale of our Healthcare business, we announced that we will further streamline our operating model and portfolio, optimize our cost structure and create efficiencies. For the year ended March 31, 2024, costs related to this restructuring program totalled $39.3 million and included $15.8 million of severances and other employee related costs and $16.8 million of impairment of intangible assets related to the termination of certain product offerings within the Civil Aviation segment. We expect to record approximately $10 million of additional restructuring expenses over the next two quarters.

For the year ended March 31, 2024, restructuring, integration and acquisition costs associated with the fiscal 2022 acquisition of AirCentre amounted to $76.8 million (2023 – $48.9 million) and those related to the fiscal 2022 acquisition of L3H MT amounted to $12.9 million (2023 – $17.6 million).

The ongoing integration costs associated with the AirCentre acquisition relate mainly to IT infrastructure migration and integration and are expected to be substantially complete by mid fiscal 2025. While a significant portion of the integration costs associated with the L3H MT acquisition were incurred by the end of fiscal 2023, additional integration costs were incurred in fiscal 2024 following the completion of IT infrastructure and systems integration and structural organizational changes.

For the year ended March 31, 2023, restructuring, integration and acquisition costs include gains on the reversal of impairment of an intangible asset of $6.8 million in the Defense and Security segment and property, plant and equipment of $3.0 million in the Civil Aviation segment, following their repurposing and optimization and new customer contracts and opportunities.

5.4 Impairment of goodwill

We performed the annual impairment test for goodwill during the fourth quarter of fiscal 2024. We determined the recoverable amount of each of our cash generating units (CGUs) based on fair value less costs of disposal calculations using a discounted cash flow model. The recoverable amount of each CGU is calculated using estimated cash flows derived from our five-year strategic plan as approved by the Board of Directors. The cash flows are based on expectations of market growth, industry reports and trends, and past performance. Cash flows subsequent to the five-year period were extrapolated using a constant terminal value growth rate of 2%, which is consistent with forecasts included in industry reports specific to the industry in which each CGU operates. The discount rates used to calculate the recoverable amounts reflect each CGUs' specific risks and market conditions, including the market view of risk for each CGU, and range from 9.0% to 10.9%.

In fiscal 2024, the assumptions used in determining the recoverable amount of the Defense and Security CGU using the discounted cash flow model, including expected revenue growth, margin projections and the discount rate, were impacted by the general economic headwinds and the re-baselining of the Defense and Security business resulting in the delayed recovery and growth of the CGU. As a result of the impairment test performed, we recorded a goodwill impairment charge of $568.0 million. The recoverable amount of the Defense and Security CGU after the impairment, based on the fair value less costs of disposal calculation, was $2.1 billion.

Variations in assumptions and estimates, particularly in the expected revenue growth, margin projections and the discount rate could have a significant impact on fair value. For the Defense and Security CGU, a decrease of 1% in expected revenue growth would have resulted in an additional impairment of approximately $85 million, a decrease of 1% in margin projections would have resulted in an additional impairment of approximately $190 million, and an increase of 1% in the discount rate of 10.9% would have resulted in an additional impairment of approximately $245 million.

No impairment charge was identified for the CGUs included in the Civil Aviation segment. A decrease of 1% in expected revenue growth, a decrease of 1% in margin projections, or an increase of 1% in the discount rate would not have resulted in an impairment charge for any of the Civil Aviation CGUs.

You will find more details in Note 14 of our consolidated financial statements.

5.5 Consolidated adjusted orders and adjusted backlog

Adjusted backlog[4] 13% higher compared to last year

(amounts in millions)		**FY2024**	FY2023
Obligated backlog[4], beginning of period	**$**	**8,961.9**	$ 7,871.4
+ adjusted order intake		**4,937.4**	4,856.4
- revenue		**(4,282.8)**	(4,010.6)
+ / - adjustments		**(101.2)**	244.7
Obligated backlog, end of period	**$**	**9,515.3**	$ 8,961.9
Joint venture backlog[4] (all obligated)		**464.1**	300.2
Unfunded backlog and options[4]		**2,204.5**	1,534.3
Adjusted backlog	**$**	**12,183.9**	$ 10,796.4

Fiscal 2024 adjustments were mainly due to contract cancellations and contract amendments, partially offset by foreign exchange movements.

The book-to-sales ratio for the quarter was 1.38x. The ratio for the last 12 months was 1.15x.

In fiscal 2024, $935.7 million was added to the unfunded backlog and $623.9 million was transferred to obligated backlog.

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

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

FISCAL 2024 CONTRACT AWARDS
Civil Aviation obtained contracts this quarter expected to generate future revenues of $832.1 million, including contracts for 7 FFSs. This brings the total civil order intake to $3,025.5 million and 64 FFSs for the year.

Notable contract awards for fiscal 2024 included:
– A 10-year commercial aviation training agreement with Air France KLM Group;
– A multi-year exclusive commercial aviation training agreement with ITA Airways;
– A 10-year commercial training agreement extension with Air Europa;
– A 3-year business aviation training agreement with Solairus Aviation;
– A 4-year air traffic control training agreement with NAV Canada;
– A 7-year next-gen flight operations solutions agreement extension with Saudia;
– Six Boeing B737 Max FFSs and two previous B737 Max FFS options converted to firm orders to Ryanair;
– A 7-year next-gen crew management and aircraft operations solutions agreement with Air India;
– A 5-year business aviation training agreement with Clay Lacy Aviation;
– A 5-year next-gen crew management and flight operations solutions agreement with Wizz Air.

[4] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

FINANCIAL RESULTS

(amounts in millions)		**FY2024**	FY2023	**Q4-2024**	Q3-2024	Q2-2024	Q1-2024	Q4-2023
Revenue	**$**	**2,435.8**	2,166.4	**700.8**	622.1	572.6	540.3	661.4
Operating income	**$**	**442.0**	430.3	**147.0**	101.0	88.4	105.6	149.3
Adjusted segment operating income	**$**	**548.9**	485.3	**191.4**	124.2	114.3	119.0	162.9
As a % of revenue[5]	**%**	***22.5***	*22.4*	***27.3***	*20.0*	*20.0*	*22.0*	*24.6*
Depreciation and amortization	**$**	**272.0**	243.4	**69.9**	70.7	65.2	66.2	64.0
Property, plant and equipment expenditures	**$**	**225.8**	240.6	**58.0**	65.9	37.5	64.4	49.5
Intangible asset expenditures	**$**	**109.5**	88.6	**33.1**	21.9	22.7	31.8	24.8
Capital employed[5]	**$**	**4,871.7**	4,710.4	**4,871.7**	4,774.6	4,778.8	4,710.9	4,710.4
Adjusted backlog	**$**	**6,440.4**	5,730.8	**6,440.4**	6,119.8	5,903.1	5,764.8	5,730.8
Supplementary non-financial information								
Simulator equivalent unit		**272**	257	**279**	275	268	268	265
FFSs in CAE's network		**343**	324	**343**	336	331	327	324
Utilization rate	**%**	**76**	72	**78**	76	71	77	78
FFS deliveries		**47**	46	**17**	13	11	6	17

Revenue up 6% compared to the fourth quarter of fiscal 2023
The increase compared to the fourth quarter of fiscal 2023 was mainly due to higher revenue from training services, driven by a more favourable sales mix and higher utilization and increased volume from recently deployed simulators in our network, and higher revenue from simulator lifecycle support services. The increase was partially offset by lower revenue recognized from simulator sales.

Revenue was $2,435.8 million this year, $269.4 million or 12% higher than last year
The increase compared to last year was mainly due to higher revenue from training services, driven by a more favourable sales mix and higher utilization and increased volume from recently deployed simulators in our network, higher revenue from simulator lifecycle support services and the foreign exchange impact on the translation of our foreign operations.

Operating income down 2% compared to the fourth quarter of fiscal 2023
Operating income was $147.0 million (21.0% of revenue) this quarter, compared to $149.3 million (22.6% of revenue) in the fourth quarter of fiscal 2023. This quarter's operating income included restructuring, integration and acquisition costs of $44.4 million compared to $13.6 million in the fourth quarter of fiscal 2023.

The decrease compared to the fourth quarter of fiscal 2023 was mainly due to higher restructuring, integration and acquisition costs. The decrease was offset by a higher contribution from training services, driven by higher utilization and increased volume from recently deployed simulators in our network and a more favourable sales mix.

Operating income was $442.0 million this year, $11.7 million or 3% higher than last year.
Operating income was $442.0 million (18.1% of revenue) this year, compared to $430.3 million (19.9% of revenue) last year. This year's operating income included restructuring, integration and acquisition costs of $106.9 million compared to $52.0 million last year.

The increase compared to last year was mainly due to a higher contribution from training services, driven by a more favourable sales mix and higher utilization and increased volume from recently deployed simulators in our network. The increase was partially offset by higher restructuring, integration and acquisition costs and higher selling, general and administrative expenses in support of business growth.

Adjusted segment operating income up 17% compared to the fourth quarter of fiscal 2023
Adjusted segment operating income was $191.4 million (27.3% of revenue) this quarter, compared to $162.9 million (24.6% of revenue) in the fourth quarter of fiscal 2023.

The increase compared to the fourth quarter of fiscal 2023 was mainly due to a higher contribution from training services, driven by higher utilization and increased volume from recently deployed simulators in our network and a more favourable sales mix.

[5] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

Adjusted segment operating income was $548.9 million this year, $63.6 million or 13% higher than last year
Adjusted segment operating income was $548.9 million (22.5% of revenue) this year, compared to $485.3 million (22.4% of revenue) last year.

The increase compared to last year was mainly due to a higher contribution from training services, driven by a more favourable sales mix and higher utilization and increased volume from recently deployed simulators in our network. The increase was partially offset by higher selling, general and administrative expenses in support of business growth.

Property, plant and equipment expenditures were $58.0 million this quarter and $225.8 million for the year
Growth capital expenditures were $42.2 million for the quarter and $155.7 million for the year. Maintenance capital expenditures were $15.8 million for the quarter and $70.1 million for the year.

Capital employed increased by $97.1 million compared to last quarter and increased by $161.3 million compared to last year
The increase in capital employed compared to last quarter was due to movements in foreign exchange rates, higher other assets, higher investment in equity accounted investees and higher right-of-use assets. The increase is partially offset by a lower investment in non-cash working capital.

The increase in capital employed compared to last year was due to higher property, plant and equipment, higher investment in equity accounted investees, higher other assets and higher right-of-use assets. The increase was partially offset by a lower investment in non-cash working capital.

Adjusted backlog up 12% compared to last year

(amounts in millions)		**FY2024**	FY2023
Obligated backlog, beginning of period	**$**	**5,555.2**	$ 4,718.3
+ adjusted order intake		**3,025.5**	2,827.1
- revenue		**(2,435.8)**	(2,166.4)
+ / - adjustments		**(37.4)**	176.2
Obligated backlog, end of period	**$**	**6,107.5**	$ 5,555.2
Joint venture backlog (all obligated)		**332.9**	175.6
Adjusted backlog	**$**	**6,440.4**	$ 5,730.8

Fiscal 2024 adjustments were mainly due to contract cancellations, partially offset by foreign exchange movements.

This quarter's book-to-sales ratio was 1.19x. The ratio for the last 12 months was 1.24x.

6.2 Defense and Security

RE-BASELINING OF THE DEFENSE AND SECURITY BUSINESS, DEFENSE AND SECURITY IMPAIRMENTS AND ACCELERATED RISK RECOGNITION ON LEGACY 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 this MD&A. 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 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). Although only a small fraction of the current business, they have disproportionately impacted overall Defense and Security profitability. The Legacy Contracts include one that was inherited with the fiscal 2022 acquisition of L3Harris Technologies' Military Training business and have completion dates mainly within the next two fiscal years.

During the fourth quarter of fiscal 2024, we recorded a $568.0 million non-cash impairment of Defense and Security goodwill and $90.3 million in unfavourable contract profit adjustments as a result of accelerated risk recognition on the Legacy Contracts. We also recorded a $35.7 million impairment of related technology and other non-financial assets which are principally related to the Legacy Contracts.

The recognition of risks associated with the Legacy Contracts has been accelerated in the fourth quarter of fiscal 2024 following revised agreements on scope and timing with customers, suppliers and other stakeholders, which resulted in profit adjustments associated with the reassessment of estimated costs.

FISCAL 2024 CONTRACT AWARDS
Defense and Security was awarded $718.4 million in orders this quarter and $1,911.9 million in total for fiscal 2024. Unfunded contracts in the quarter were valued at $1.2 million and $935.7 million in total for fiscal 2024.

Notable contract awards for fiscal 2024 included:
- General Dynamics Information Technology to support the U.S. Army Flight School Training Support Services at Fort Novosel, Alabama with training and simulation solutions for initial entry-level and graduate-level rotary wing flight training. Under the terms of the 12-year contract, CAE will build and operate CAE-owned full-flight simulators for the CH-47F and UH-60M platforms to meet the U.S. Army Aviation Center of Excellence's rotary wing simulation services requirements;
- The U.S. Air Force (USAF) for the modification and maintenance of F-16 training devices;
- General Atomics Aeronautical Systems, Inc. for support of the Remotely Piloted Aircraft System (RPAS) program, delivering aircrew and maintenance technician training, supporting training devices and courseware to meet Canada's RPAS requirements;
- The USAF to provide Rotary Wing, Introductory Flight Training at the CAE Dothan Training Centre in Dothan, Alabama. The program extends through 2033 and supports all initial USAF rotary-wing air, ground and simulation training;
- The USAF for continuation of flight training on KC-135 devices;
- The Commonwealth of Australia to continue supporting their Australian Defence Force Aerospace Simulator Integrated Support and Training program;
- Leidos to support the U.S. Army High Accuracy Detection and Exploitation System by providing Flight Training Service for the Bombardier Global 6000/6500 Full Flight Simulator at the CAE Dothan Training Center;
- Bell Textron to support the U.S. Army Future Long Range Assault Aircraft program. As part of a teaming arrangement with Bell for their Future Vertical Lift family of systems, CAE is expected to provide maintenance training devices, assist in the development of flight training devices, and deliver other training products;
- The U.S. Army to finalize the development of the Soldier Virtual Trainer prototype to include Weapons Skills Development, the SVT Core computational system, and Intelligent Tutor.

FINANCIAL RESULTS

(amounts in millions)		**FY2024**	FY2023	**Q4-2024**	Q3-2024	Q2-2024	Q1-2024	Q4-2023
Revenue	**$**	**1,847.0**	1,844.2	**425.5**	472.4	477.4	471.7	536.0
Operating (loss) income	**$**	**(627.4)**	35.7	**(680.0)**	20.6	9.3	22.7	29.0
Adjusted segment operating income (loss)	**$**	**0.8**	53.1	**(65.7)**	20.9	21.3	24.3	30.5
As a % of revenue	*%*	**—**	*2.9*	**—**	*4.4*	*4.5*	*5.2*	*5.7*
Depreciation and amortization	**$**	**96.7**	86.8	**26.3**	23.6	23.2	23.6	23.2
Property, plant and equipment expenditures	**$**	**102.3**	25.4	**33.3**	19.3	23.9	25.8	11.9
Intangible asset expenditures	**$**	**26.4**	28.2	**8.0**	5.2	6.7	6.5	9.4
Capital employed	**$**	**2,041.2**	2,565.0	**2,041.2**	2,627.0	2,697.4	2,698.6	2,565.0
Adjusted backlog	**$**	**5,743.5**	5,065.6	**5,743.5**	5,626.5	5,870.0	5,418.7	5,065.6

Revenue down 21% compared to the fourth quarter of fiscal 2023
The decrease compared to the fourth quarter of fiscal 2023 was mainly due to the impact on revenue of the unfavourable profit adjustments on the Legacy Contracts and lower level of activity on our North American programs.

Revenue was $1,847.0 million this year, $2.8 million higher than last year
The increase compared to last year was mainly due to the foreign exchange impact on the translation of our foreign operations and a higher level of activity on our European and North American programs, partially offset by the impact on revenue of the unfavourable profit adjustments on the Legacy Contracts.

Operating loss was $680.0 million this quarter, a decrease of $709.0 million compared to the fourth quarter of fiscal 2023
Operating loss was $680.0 million this quarter, compared to an operating income of $29.0 million (5.4% of revenue) in the fourth quarter of fiscal 2023. This quarter's operating loss included the impairment of goodwill of $568.0 million and the impairment of technology and other non-financial assets of $35.7 million. The fourth quarter of fiscal 2024 also included restructuring, integration and acquisition costs of $10.6 million compared to $1.5 million in the fourth quarter of fiscal 2023.

The decrease of $709.0 million compared to the fourth quarter of fiscal 2023 was mainly due to the impairment of goodwill, technology and other non-financial assets, the impact of unfavourable profit adjustments on the Legacy Contracts of $90.3 million, higher restructuring, integration and acquisition costs and higher net research and development expenses. The decrease was also due to lower margins on our North American programs, partially offset by lower selling, general and administrative expenses.

Operating loss was $627.4 million this year, a decrease of $663.1 million compared to last year
Operating loss was $627.4 million this year, compared to an operating income of $35.7 million (1.9% of revenue) last year. This year's operating loss included the impairment of goodwill of $568.0 million and the impairment of technology and other non-financial assets of $35.7 million. Fiscal 2024 also included restructuring, integration and acquisition costs of $24.5 million compared to $10.6 million last year.

The decrease of $663.1 million compared to last year was mainly due to the impairment of goodwill, technology and other non-financial assets and the impact of unfavourable profit adjustments on contracts recorded in the current and prior year, specifically $90.3 million related to the Legacy Contracts recorded in the fourth quarter of fiscal 2024, compared to $28.9 million recorded on two U.S. programs in the first quarter of fiscal 2023, and higher restructuring, integration and acquisition costs. The decrease was further due to higher net research and development expenses, partially offset by lower selling, general and administrative expenses.

Adjusted segment operating loss was $65.7 million this quarter, a decrease of $96.2 million compared to the fourth quarter of fiscal 2023
Adjusted segment operating loss was $65.7 million this quarter, compared to an adjusted segment operating income of $30.5 million (5.7% of revenue) in the fourth quarter of fiscal 2023.

The decrease of $96.2 million compared to the fourth quarter of fiscal 2023 was mainly due to the impact of unfavourable profit adjustments on the Legacy Contracts of $90.3 million and higher net research and development expenses. The decrease was also due to lower margins on our North American programs, partially offset by lower selling, general and administrative expenses.

Adjusted segment operating income was $0.8 million this year, $52.3 million or 98% lower than last year
Adjusted segment operating income was $0.8 million this year, compared to $53.1 million (2.9% of revenue) last year.

The decrease of $52.3 million compared to last year was mainly due to the impact of unfavourable profit adjustments on contracts recorded in the current and prior year, specifically $90.3 million related to the Legacy Contracts recorded in the fourth quarter of fiscal 2024, compared to $28.9 million recorded on two U.S. programs in the first quarter of fiscal 2023. The decrease was further due to higher net research and development expenses, partially offset by lower selling, general and administrative expenses.

Capital employed decreased by $585.8 million compared to last quarter and decreased by $523.8 million compared to last year
The decrease compared to last quarter was mainly due to the impairment of goodwill, technology and other non-financial assets, and lower non-cash working capital. The decrease was partially offset by higher right-of-use assets and movements in foreign exchange rates.

The decrease compared to last year was mainly due to the impairment of goodwill, technology and other non-financial assets, and lower non-cash working capital and was partially offset by higher right-of-use assets.

Adjusted backlog up 13% compared to last year

(amounts in millions)		**FY2024**	FY2023
Obligated backlog, beginning of period	**$**	**3,406.7**	$ 3,153.1
+ adjusted order intake		**1,911.9**	2,029.3
- revenue		**(1,847.0)**	(1,844.2)
+ / - adjustments		**(63.8)**	68.5
Obligated backlog, end of period	**$**	**3,407.8**	$ 3,406.7
Joint venture backlog (all obligated)		**131.2**	124.6
Unfunded backlog and options		**2,204.5**	1,534.3
Adjusted backlog	**$**	**5,743.5**	$ 5,065.6

Fiscal 2024 adjustments were mainly due to contract amendments.

This quarter's book-to-sales ratio was 1.69x. The ratio for the last 12 months was 1.04x.

In fiscal 2024, $935.7 million was added to the unfunded backlog and $623.9 million was transferred to obligated backlog.

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

(amounts in millions)	**FY2024**	FY2023	**Q4-2024**	Q4-2023
Cash provided by operating activities*	**$ 438.8**	$ 522.9	**$ 46.7**	$ 158.5
Changes in non-cash working capital	**128.1**	(114.5)	**168.5**	22.1
Net cash provided by operating activities	**$ 566.9**	$ 408.4	**$ 215.2**	$ 180.6
Maintenance capital expenditures[6]	**(102.5)**	(62.8)	**(23.2)**	(14.8)
Intangible assets expenditures excluding capitalized development costs	**(33.4)**	(39.3)	**(7.6)**	(13.7)
Proceeds from the disposal of property, plant and equipment	**4.0**	5.7	**0.3**	0.9
Net payments to equity accounted investees	**(43.9)**	(10.9)	**(3.4)**	(0.4)
Dividends received from equity accounted investees	**37.1**	40.9	**6.8**	20.6
Other investing activities	**(10.2)**	(6.3)	**(0.8)**	(1.2)
Impact of discontinued operations	**0.2**	(2.6)	**3.8**	(24.4)
Free cash flow[6]	**$ 418.2**	$ 333.1	**$ 191.1**	$ 147.6
Growth capital expenditures[6]	**(227.3)**	(206.0)	**(68.5)**	(48.1)
Capitalized development costs	**(114.5)**	(87.1)	**(34.5)**	(22.8)
Net proceeds from the issuance of common shares	**7.8**	16.3	**0.2**	0.8
Business combinations, net of cash acquired	**—**	(6.4)	**—**	—
Other cash movements, net	**—**	(28.7)	**(2.2)**	3.1
Proceeds from disposal of discontinued operations	**275.3**	—	**275.3**	—
Effect of foreign exchange rate changes on cash and cash equivalents	**(13.7)**	16.4	**1.3**	2.6
Impact of discontinued operations	**(0.2)**	2.6	**(3.8)**	24.4
Net change in cash before proceeds and repayment of long-term debt	**$ 345.6**	$ 40.2	**$ 358.9**	$ 107.6

* before changes in non-cash working capital

Net cash provided by operating activities of $215.2 million this quarter
Net cash provided by operating activities was $34.6 million higher compared to the fourth quarter of fiscal 2023. The increase was mainly due to a higher contribution from non-cash working capital, partially offset by lower net income adjusted for non-cash items, including impairment of goodwill and other non-financial assets and deferred income taxes.

Net cash provided by operating activities of $566.9 million this year
Net cash provided by operating activities was $158.5 million higher than the same period last year. The increase was mainly due to a higher contribution from non-cash working capital, partially offset by lower net income adjusted for non-cash items, including impairment of goodwill and other non-financial assets and deferred income taxes.

Free cash flow of $191.1 million this quarter
Free cash flow was $43.5 million higher compared to the fourth quarter of fiscal 2023. The increase was mainly due to a higher net cash provided by operating activities.

Free cash flow of $418.2 million this year
Free cash flow was $85.1 million higher compared to last year. The increase was mainly due to a higher net cash provided by operating activities, partially offset by higher maintenance capital expenditures and higher net payments to equity accounted investees.

Property, plant and equipment expenditures were $91.7 million this quarter and $329.8 million for the year
Growth capital expenditures were $68.5 million this quarter and $227.3 million for the year. Maintenance capital expenditures were $23.2 million this quarter and $102.5 million for the year.

[6] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

7.2 Sources of liquidity

We have a committed unsecured revolving credit facility at floating rates, provided by a syndicate of lenders. 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 up to a maximum of US$200.0 million (2023 – US$200.0 million).

The total amount available through this revolving credit facility at March 31, 2024 was US$1.0 billion (2023 – US$1.0 billion). There was US$22.1 million drawn under the facility as at March 31, 2024 (2023 – US$320.0 million), and US$18.2 million was used for letters of credit (2023 – US$32.5 million). The applicable interest rate on this revolving credit facility is variable, based on the bank's prime rate, bankers' acceptance rates or SOFR plus a margin based on CAE's credit rating.

We manage several bilateral facilities for the issuance of performance bonds, advance payment guarantees or similar instruments. Some of these facilities are covered by an unsecured Export Development Canada Performance Security Guarantee account for US$225.0 million (2023 – US$225.0 million). As at March 31, 2024 the total outstanding for these instruments was $194.4 million (2023 – $198.5 million).

We manage an uncommitted receivable purchase facility of up to US$400.0 million (2023 – US$400.0 million), in which we sell interests in certain of our accounts receivable to third parties for cash consideration. As at March 31, 2024, the carrying amount of the original accounts receivable sold to financial institutions pursuant to the receivable purchase facility totalled $303.7 million (2023 – $266.7 million) of which $44.9 million (2023 – $42.4 million), corresponding to the extent of our continuing involvement, remains in accounts receivable with a corresponding liability included in accounts payable and accrued liabilities.

We have certain debt agreements which require the maintenance of standard financial covenants. As at March 31, 2024, we are compliant with all our financial covenants.

The following table summarizes the long-term debt:

(amounts in millions)		**As at March 31 2024**	As at March 31 2023
Total long-term debt	**$**	**3,074.3**	$ 3,250.1
Less:			
Current portion of long-term debt		**253.7**	133.4
Current portion of lease liabilities		**55.2**	81.2
Long-term portion of long-term debt	**$**	**2,765.4**	$ 3,035.5

Credit rating
In June, 2023, CAE received an initial issuer credit rating of BBB- from S&P Global Ratings with a stable outlook. Such rating was also assigned to CAE's unsecured senior notes Series 1 due in June 2028.

Unsecured senior notes
In June 2023, we completed a private offering of $400.0 million of unsecured senior notes, bearing interest at 5.541% per annum, payable in equal semi-annual installments until maturity in June 2028. The net proceeds were used to repay certain indebtedness outstanding under the Revolving Facility and for general corporate purposes. Concurrently, we entered into fixed to fixed cross currency principal and interest rate swap agreements to effectively convert the $400.0 million unsecured senior notes into U.S. dollars. We have designated the swap agreements as a hedge of our net investments in U.S. entities against foreign currency fluctuations.

Term loans
In February 2024, we prepaid a US$175.0 million term loan due in July 2024. In March 2024, we repaid a term loan of US$50.0 million.

Pension obligations
We maintain defined benefit and defined contribution pension plans. Our defined benefit pension plans are considered sufficiently funded. We expect to pay employer contributions and benefits of $30.6 million in fiscal 2025.

In June 2023, we entered into an annuity purchase transaction in which the pension obligations of $168.9 million associated with certain retired members of Canadian defined benefit pension plans were transferred to a third-party insurer. This transaction reduces our future pension liability growth and the funding volatility risk.

7.3 Government participation

We have agreements with various governments whereby the latter contribute a portion of the cost, based on expenditures incurred by CAE, of certain R&D programs for modeling, simulation and training services technology.

You will find more details in Note 26 of our consolidated financial statements.

7.4 Contingencies and commitments

Contingencies

From time to time, CAE is involved in legal proceedings, audits, litigations and claims arising in the ordinary course of our business. We operate in a highly regulated environment across many jurisdictions and is subject to, without limitation, laws and regulations relating to import-export controls, trade sanctions, anti-corruption, national security and aviation safety of each country. In addition, contracts with government agencies are subject to procurement regulations and other specific legal requirements. We are also required to comply with tax laws and regulations of any country in which we operate.

We are subject to investigations and audits from various government and regulatory agencies. In addition, CAE may identify, investigate, remediate and voluntarily disclose potential non-compliance with those laws and regulations. As a result, we can be subject to potential liabilities associated with those matters. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, we do not believe that the ultimate outcome of these matters will have a material impact on our consolidated financial statements.

Commitments

We enter into contractual obligations and commercial commitments in the normal course of our business. The table below represents our contractual obligations and commitments for the next five fiscal years and thereafter:

(amounts in millions)		**2025**	**2026**	**2027**	**2028**	**2029**	**Thereafter**	**Total**
Long-term debt (excluding interest)	$	253.7 $	265.0 $	174.1 $	164.1 $	644.1 $	1,021.4 $	2,522.4
Lease liabilities		88.2	75.9	72.1	62.5	53.0	570.3	922.0
Purchase commitments		329.3	127.0	92.0	21.0	5.5	3.2	578.0
	$	**671.2 $**	**467.9 $**	**338.2 $**	**247.6 $**	**702.6 $**	**1,594.9 $**	**4,022.4**

As at March 31, 2024, the Company had additional commitments of $65.9 million related to leases not yet commenced that have not been recognized as a lease liability nor included in the table above.

We have purchase commitments related to agreements that are enforceable and legally binding. Most are agreements with subcontractors to provide services for long-term contracts that we have with our clients. The terms of the agreements are significant because they set out obligations to buy goods or services in fixed or minimum amounts, at fixed, minimum or variable prices and at various points in time.

As at March 31, 2024, we had other long-term liabilities that are not included in the table above such as employee benefits obligations and deferred tax liabilities. CAE's cash obligation in respect of the employee benefits obligations depends on various elements including market returns, actuarial gains and losses and interest rates. We did not include deferred tax liabilities since future payments of income taxes depend on the amount of taxable earnings and on whether there are tax loss carry-forwards available.

8. CONSOLIDATED FINANCIAL POSITION

8.1 Consolidated capital employed

(amounts in millions)		**As at March 31 2024**		As at March 31 2023
Use of capital[7]:				
Current assets	**$**	**2,006.5**	$	2,235.0
Less: cash and cash equivalents		**(160.1)**		(217.6)
Current liabilities		**(2,358.4)**		(2,246.7)
Less: current portion of long-term debt		**308.9**		214.6
Non-cash working capital[7]	**$**	**(203.1)**	$	(14.7)
Property, plant and equipment		**2,515.6**		2,387.1
Intangible assets		**3,271.9**		4,050.8
Other long-term assets		**2,040.1**		1,763.6
Other long-term liabilities		**(407.7)**		(565.4)
Capital employed	**$**	**7,216.8**	$	7,621.4
Source of capital[7]:				
Current portion of long-term debt	**$**	**308.9**	$	214.6
Long-term debt		**2,765.4**		3,035.5
Less: cash and cash equivalents		**(160.1)**		(217.6)
Net debt[7]	**$**	**2,914.2**	$	3,032.5
Equity attributable to equity holders of the Company		**4,224.9**		4,507.7
Non-controlling interests		**77.7**		81.2
Capital employed	**$**	**7,216.8**	$	7,621.4

Adjusted return on capital employed (ROCE)[7]
Adjusted ROCE was 5.9% this quarter, which compares to 5.8% in the fourth quarter of last year and 7.0% last quarter.
Non-cash working capital decreased by $188.4 million compared to last year
The decrease was mainly due to lower contract assets and the disposal of the Healthcare business. The decrease was partially offset by higher accounts receivable.

Property, plant and equipment increased by $128.5 million compared to last year
The increase was mainly due to capital expenditures in excess of depreciation.

Intangible assets decreased by $778.9 million compared to last year
The decrease was mainly due to impairment charges incurred, principally related to the impairment of goodwill in Defense and Security, and the disposal of the Healthcare business, partially offset by additions in excess of depreciation.

Other long-term assets increased by $276.5 million compared to last year
The increase was mainly due to higher right-of-use assets in support of training network expansions, higher deferred tax assets and a higher investment in equity accounted investees.

Other long-term liabilities decreased by $157.7 million compared to last year
The decrease was mainly due to lower deferred tax liabilities and lower royalty obligations.

Total debt decreased by $175.8 million compared to last year
The decrease in total debt was mainly due to net repayment 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 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

Net debt[8] decreased by $118.3 million compared to last year

(amounts in millions)		**FY2024**		FY2023
Net debt, beginning of period	**$**	**3,032.5**	$	2,700.1
Impact of cash movements on net debt (see table in the consolidated cash movements section 7.1)		**(345.6)**		(40.2)
Effect of foreign exchange rate changes on long-term debt		**(6.3)**		223.3
Non-cash lease liability movements		**177.0**		126.1
Other		**68.7**		23.2
Impact of discontinued operations		**(12.1)**		—
Change in net debt during the period	**$**	**(118.3)**	$	332.4
Net debt, end of period	**$**	**2,914.2**	$	3,032.5

Liquidity measures		**As at March 31 2024**		As at March 31 2023
Net debt-to-capital[8]	**%**	**40.4**	%	39.8
Net debt-to-EBITDA[8]		**15.90**		3.81
Net debt-to-adjusted EBITDA[8]		**3.17**		3.49

Total equity decreased by $286.3 million this year
The decrease compared to last year was mainly due to the net loss realized this year.

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 318,312,233 common shares issued and outstanding as at March 31, 2024 with total share capital of $2,252.9 million. In addition, we had 6,459,922 options outstanding. As at April 30, 2024, we had a total of 318,380,758 common shares issued and outstanding and 6,381,934 options outstanding.

Repurchase and cancellation of common shares
On May 21, 2024, we announced that our Board of Directors approved, subject to the approval of the Toronto Stock Exchange (TSX), the re-establishment of a normal course issuer bid (NCIB). The NCIB is expected to commence shortly after regulatory approvals are obtained. The common shares that may be repurchased under such program over a period of approximately one year will represent up to 5 percent of the issued and outstanding common shares. The establishment of the program and the timing and amount of any purchases under the program is subject to regulatory approvals.

Share-based compensation
In August 2023, CAE's shareholders approved the Omnibus Incentive Plan, which allows equity awards to be granted to eligible participants in the form of stock options, restricted share units (RSUs) and performance share unit (PSUs). The total number of shares reserved for issuance under the Omnibus Incentive Plan is 10,000,000. The Omnibus Incentive Plan supplements the existing cash-settled RSU and PSU plans and stock option plan (collectively, the "Existing Plans"). Awards granted under the Existing Plans will remain outstanding and governed by the respective terms of such plans, but no new awards will be granted under any of the Existing Plans. All awards made under the Omnibus Incentive Plan are considered equity-settled arrangements.

8.2 Off balance sheet arrangements

In the normal course of business, we manage an uncommitted receivable purchase facility in which we sell interests in certain of our accounts receivable to third parties for cash consideration with limited recourse to CAE.

You will find more details about our financial assets program in Section 7.2 *"Sources of liquidity"*.

[8] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 12.1 " *Non-IFRS and other financial measure definitions"* and Section 12.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

8.3 Financial instruments

We are exposed to various financial risks in the normal course of business. We enter into forward contracts and swap agreements to manage our exposure to fluctuations in foreign exchange rates, interest rates and share price which have an effect on our share-based payments costs. We formally assess, both at inception of the hedge relationship and on an ongoing basis, whether the derivatives we use in hedging transactions are highly effective in offsetting changes in cash flows of hedged items in relation to the hedged risk. We enter into these transactions to reduce our exposure to risk and volatility, and not for trading or speculative purposes. We only enter into contracts with counterparties that are of high credit quality.

Classification of financial instruments
We have made the following classifications for our financial instruments:

Financial assets:
- Cash and cash equivalents, restricted cash and derivative instruments not designated as hedging instrument in a hedge relationship, are classified at fair value through profit and loss (FVTPL);
- Accounts receivable, non-current receivables, net investment in finance leases and advances are classified at amortized cost, except for those that are acquired for the purpose of selling or repurchasing in the near term and classified as held for trading which are measured at FVTPL;
- Equity investments are classified at fair value through OCI (FVOCI).

Financial liabilities:
- Accounts payable and accrued liabilities, long-term debt, including interest payable, as well as lease liabilities and royalty obligations are classified at amortized cost;
- Contingent consideration arising on business combinations and derivative instruments not designated as hedging instruments in a hedge relationship are classified at FVTPL.

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, we determine the fair value of that instrument based on valuation methodologies as discussed below. In determining assumptions required under a valuation model, we primarily use external, readily observable market data inputs. Assumptions or inputs that are not based on observable market data incorporate our best estimates of market participant assumptions. Counterparty credit risk and our 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:
- 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;
- 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 we would receive or pay to settle the contracts at the reporting date;
- 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;
- 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;
- 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.

A description of the fair value hierarchy is discussed in Note 28 of our consolidated financial statements.

Financial risk management
Due to the nature of the activities that we carry out and as a result of holding financial instruments, we are exposed to credit risk, liquidity risk and market risk, including foreign currency risk and interest rate risk. Our exposure to credit risk, liquidity risk and market risk is managed within risk management parameters documented in corporate policies. These risk management parameters remain unchanged since the previous period, unless otherwise indicated.

Credit risk
Credit risk is defined as our exposure to a financial loss if a debtor fails to meet its obligations in accordance with the terms and conditions of its arrangements with CAE. We are exposed to credit risk on our accounts receivable and certain other assets through our normal commercial activities. We are also exposed to credit risk through our normal treasury activities on our cash and cash equivalents and derivative financial assets. Credit risks arising from our normal commercial activities are managed with regards to customer credit risk.

Our customers are mainly established companies, some of which have publicly available credit ratings, as well as government agencies, which facilitates risk assessment and monitoring. In addition, we typically receive substantial non-refundable advance payments for contracts with customers. We closely monitor our exposure to major airline companies in order to mitigate our risk to the extent possible. Furthermore, our trade receivables are held with a wide range of commercial and government organizations and agencies. As well, our credit exposure is further reduced by the sale of certain of our accounts receivable to third-party financial institutions for cash consideration on a limited recourse basis (receivable purchase facility). We do not hold any collateral as security. The credit risk on cash and cash equivalents is mitigated by the fact that they are mainly in place with a diverse group of major North American and European financial institutions.

We are exposed to credit risk in the event of non-performance by counterparties to our derivative financial instruments. We use several measures to minimize this exposure. First, we enter into contracts with counterparties that are of high credit quality. We signed *International Swaps & Derivatives Association, Inc. (ISDA)* Master Agreements with all the counterparties with whom we trade derivative financial instruments. These agreements make it possible to offset when a contracting party defaults on the agreement, for each of the transactions covered by the agreement and in force at the time of default. Also, collateral or other security to support derivative financial instruments subject to credit risk can be requested by CAE or our counterparties (or both parties, if need be) when the net balance of gains and losses on each transaction exceeds a threshold defined in the ISDA Master Agreement. Finally, we monitor the credit standing of counterparties on a regular basis to help minimize credit risk exposure.

The carrying amounts presented in Note 10 and Note 28 of our consolidated financial statements represent the maximum exposure to credit risk for each respective financial asset as at the relevant dates. A summary of our exposure to credit risk and credit loss allowances for accounts receivable and contract assets by segments is included in Note 30 of our consolidated financial statements.

Client concentration risk
For the year ended March 31, 2024, contracts with the U.S. federal government and its various agencies included in the Defense and Security segment accounted for 21% (2023 – 23%) of consolidated revenue.

Liquidity risk
Liquidity risk is defined as the potential risk that we cannot meet our cash obligations as they become due. We manage this risk by establishing cash forecasts, as well as long-term operating and strategic plans. The management of consolidated liquidity requires a regular monitoring of expected cash inflows and outflows which is achieved through a forecast of our consolidated liquidity position, for efficient use of cash resources. Liquidity adequacy is assessed in view of seasonal needs, stress-test results, growth requirements and capital expenditures, and the maturity profile of indebtedness, including availability of credit facilities, working capital requirements, compliance with financial covenants and the funding of financial commitments. We manage our liquidity risk to maintain sufficient liquid financial resources to fund our operations and meet our commitments and obligations. We also regularly monitor any financing opportunities to optimize our capital structure and maintain appropriate financial flexibility.

Market risk
Market risk is defined as our exposure to a gain or a loss in the value of our financial instruments as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. We are mainly exposed to foreign currency risk and interest rate risk.

We use derivative instruments to manage market risk against the volatility in foreign exchange rates, interest rates and share-based payments in order to minimize their impact on our results and financial position. Our policy is not to utilize any derivative financial instruments for trading or speculative purposes.

Foreign currency risk
Foreign currency risk is defined as our exposure to a gain or a loss in the value of our financial instruments as a result of fluctuations in foreign exchange rates. We are exposed to foreign exchange rate variability primarily in relation to certain sale commitments, expected purchase transactions and debt denominated in a foreign currency, as well as on our net investment from our foreign operations which have functional currencies other than the Canadian dollar (in particular the U.S. dollar, Euro and British pound). In addition, these operations have exposures to foreign exchange rates primarily through cash and cash equivalents and other working capital accounts denominated in currencies other than their functional currencies.

We mitigate foreign currency risks by having our foreign operations transact in their functional currency for material procurement, sale contracts and financing activities.

We use forward foreign currency contracts and foreign currency swap agreements to manage our exposure from transactions in foreign currencies and to hedge our net investment in U.S. entities. These transactions include forecasted transactions and firm commitments denominated in foreign currencies. Our foreign currency hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held until their maturity, consistent with the objective to fix currency rates on the hedged item.

Interest rate risk
Interest rate risk is defined as our exposure to a gain or a loss to the value of our financial instruments as a result of fluctuations in interest rates. We bear some interest rate fluctuation risk on our floating rate long-term debt and some fair value risk on our fixed interest long-term debt. We mainly manage interest rate risk by fixing project-specific floating rate debt in order to reduce cash flow variability. We have floating rate debts through our revolving credit facilities and other specific floating rate debts. A mix of fixed and floating interest rate debt is sought to reduce the net impact of fluctuating interest rates. Derivative financial instruments used to manage interest rate exposures are mainly interest rate swap agreements. As at March 31, 2024, 93% (2023 – 73%) of the long-term debt bears fixed interest rates.

Our interest rate hedging programs are typically unaffected by changes in market conditions, as related derivative financial instruments are generally held until their maturity to establish asset and liability management matching, consistent with the objective to reduce risks arising from interest rate movements.

Hedge of share-based payments expense
We have entered into equity swap agreements with major Canadian financial institutions to reduce our exposure to fluctuations in our share price relating to the cash-settled share-based payments plans. Pursuant to the agreement, we receive the economic benefit of dividends and share price appreciation while providing payments to the financial institutions for the institution's cost of funds and any share price depreciation. The net effect of the equity swap agreements partly offset movements in our share price impacting the cost of the cash-settled share-based payments plans.

Hedge of net investments in foreign operations
As at March 31, 2024, we have designated a portion of our unsecured senior notes, term loans, revolving credit facility, fixed to fixed cross currency principal and interest rate swap agreements and foreign currency contracts as a hedge of our net investments in U.S. entities. Gains or losses on the translation of the designated portion of these USD denominated long-term debts are recognized in OCI to offset any foreign exchange gains or losses on translation of the financial statements of those U.S. entities.

A sensitivity analysis for foreign currency risk and interest rate risk is included in Note 30 of our consolidated financial statements.

Indemnifications
In certain transactions involving business dispositions or sales of assets, we may provide indemnification to the counterparties with respect to future claims for certain unknown liabilities that exist, or arise from events occurring, prior to the transaction date, including liabilities for taxes, legal matters, environmental exposures, product liability, and other obligations. The terms of the indemnifications vary in duration and scope. While some of the indemnifications specify a maximum potential exposure and/or a termination date, many do not.

We believe that, other than liabilities already accrued, the maximum potential future payments that we could be required to make under these indemnifications are not determinable at this time, as any future payments would be dependent on the type and extent of the related claims, and all available defences, including insurance, which cannot be estimated. However, historically, costs incurred to settle claims related to these indemnifications have not been material our consolidated financial position, net income or cash flows.

9. DISCONTINUED OPERATIONS

On February 16, 2024, we announced the closing of the sale of our Healthcare business to Madison Industries for an enterprise value of $311 million. The total consideration, after preliminary working capital and selling price adjustments, amounted to $293.4 million and is subject to further working capital adjustments based on closing accounts. The final determination of the working capital adjustment will be concluded during fiscal 2025. This transaction better positions CAE to efficiently allocate capital and resources to secure growth opportunities on the horizon in our much larger, core simulation and training markets: Civil Aviation and Defense and Security.

The Healthcare business, which offers healthcare students and clinical professionals integrated physical, digital and virtual education and training solutions, is reported as discontinued operations.

The after-tax gain on disposal of the Healthcare business is as follows:

Consideration received in cash	$ 275.3
Short-term holdback receivable	8.0
Long-term non-contingent receivable	10.1
Total consideration	**$ 293.4**
Net assets disposed	$ 269.6
Impairment of non-financial assets of the disposal group excluded from the sale	7.8
Reclassification to income of gains on foreign currency exchange differences from OCI	(2.5)
Transaction fees and other costs	12.2
Gain on disposal of discontinued operations before income taxes	$ 6.3
Income tax recovery	(10.2)
After-tax gain on disposal of discontinued operations	**$ 16.5**

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

	FY2024	FY2023	**Q4-2024**	Q4-2023
Revenue	**$ 131.7**	$ 192.7	**$ 14.8**	$ 59.1
Expenses	**132.7**	184.7	**20.0**	50.8
Operating (loss) income	**$ (1.0)**	$ 8.0	**$ (5.2)**	$ 8.3
Finance expense	**3.6**	4.1	**0.6**	1.0
(Loss) earnings before income taxes	**$ (4.6)**	$ 3.9	**$ (5.8)**	$ 7.3
Income tax (recovery) expense	**(9.4)**	1.8	**(9.8)**	2.5
Net income from discontinued operations before after-tax gain on disposal	**$ 4.8**	$ 2.1	**$ 4.0**	$ 4.8
After-tax gain on disposal of discontinued operations	**16.5**	—	**16.5**	—
Net income from discontinued operations	**$ 21.3**	$ 2.1	**$ 20.5**	$ 4.8

For the year ended March 31, 2024, depreciation and amortization of $6.1 million (2023 – $12.0 million) is included in the net income from discontinued operations.

	FY2024	FY2023	**Q4-2024**	Q4-2023
Foreign currency exchange differences on translation of foreign operations	**$ 0.9**	$ 5.8	**$ 2.6**	$ (0.1)
Reclassification to income of gains on foreign currency exchange differences	**(2.5)**	—	**(2.5)**	—
Income taxes	**(5.4)**	—	**(5.4)**	—
Other comprehensive (loss) income from discontinued operations	**$ (7.0)**	$ 5.8	**$ (5.3)**	$ (0.1)

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

As part of the transaction, the major classes of assets and liabilities disposed of were as follows:

Current assets	**$**	**112.3**
Property, plant and equipment		**6.9**
Right-of-use assets		**9.8**
Intangible assets, including goodwill of $120.4 million		**168.0**
Deferred tax assets		**26.5**
Other non-current assets		**14.5**
Assets disposed	**$**	**338.0**
Current liabilities	**$**	**37.1**
Long-term debt (lease liabilities), including current portion		**12.2**
Deferred tax liabilities		**1.4**
Other non-current liabilities		**17.7**
Liabilities disposed	**$**	**68.4**
Net assets disposed	**$**	**269.6**

As a result of the closing of the sale, royalty obligations related to the discontinued operations of $36.9 million previously presented as liabilities held for sale were converted into R&D obligations as shown in Note 19 of our consolidated financial statements.

The net cash flows from discontinued operations are as follows:

		FY2024		FY2023
Operating activities	**$**	**0.4**	$	3.6
Investing activities		**261.6**		(12.4)
Financing activities		**(1.3)**		(1.4)
Net cash flows provided by (used in) discontinued operations	**$**	**260.7**	$	(10.2)

10. BUSINESS RISK AND UNCERTAINTY

Risk strategy and philosophy
We operate in several industry segments which present a variety of risks and uncertainties. Our risk management strategy is forward-looking and aligned with our business strategy. CAE's risk-taking activities are undertaken with the understanding that risk-taking and effective management of risks are necessary and integral to achieving strategic objectives and managing business operations.

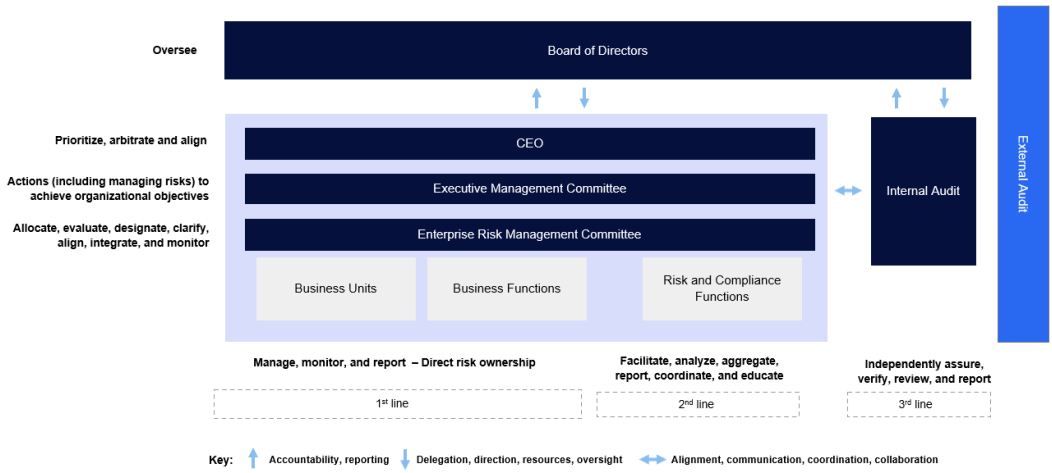
When making decisions about risk-taking and risk management, we place the highest priority on the following objectives:
– To protect the health and safety of our employees, customers, stakeholders and the general public;
– To protect our reputation and brand;
– To maintain financial strength;
– To effectively and prudently deploy capital invested by our shareholders; and
– To safeguard the expectations we have established with our shareholders, customers and creditors.

The risks and uncertainties described below are risks that we currently believe could materially and adversely affect our business, financial condition and results of operation. These are not necessarily the only risks we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business. One should carefully consider the following risk factors, in addition to the other information contained herein, before deciding to purchase CAE securities.

Risk governance
We maintain strong risk governance practices. Management and the Board discuss the critical risks facing our business quarterly, annually during the strategic planning and budgeting processes, and on an ad hoc basis, as deemed necessary. To mitigate the risks that may impact our business or future performance, management has established an enterprise risk management (ERM) policy and a framework that provides a structured approach to identify, assess, manage, monitor and report on risks.

This framework relies on the Three Lines Model where the business segments, the risk management function and our internal audit function work in collaboration to manage critical risks and continuously improve the risk management process, as presented below.

CAE's ERM Framework



Management develops and deploys risk strategies that align with our strategic objectives and business processes. Management continuously reviews the evolution of the critical risks facing our business and the Board oversees the risk management process and validates it through procedures performed by our internal auditors, when it deems necessary.

Risk approach and implementation
CAE promotes a strong risk culture that allows individuals and groups to make better risk-informed decisions aligned with our strategic objectives and risk appetite. A strong risk culture also allows us to maximize opportunities. Early identification of risks also helps CAE be more proactive and prevent major incidents. A strong risk culture and common approach to risk management are integral to our risk management practices.

Each business unit and functional group identifies and assesses critical and emerging risks on an ongoing basis. Emerging risks are defined as risks that are not fully understood at the current time because they are developing quickly or unexpectedly, and for which the impacts on CAE are difficult to assess or are in the process of being assessed. Risk owners are responsible for managing risks they own, and for reporting, via the chain of command, the evolution of their risk profile. All risks are either measured quantitatively or assessed qualitatively and aggregated at an enterprise level. Risk assessment criteria provide a consistent risk assessment process and risk ratings.

CAE's comprehensive enterprise risk profile is updated on a regular basis as well as when a major shift occurs, such as for significant merger and acquisition activity. It is prepared considering CAE's strategic and business plans and identifies an owner for each risk. It is presented to the Executive Management Committee, and a summary thereof to the Board together with risk management activities to address such risks. All risks or weaknesses are reported to the Executive Management Committee or the Senior Vice President, Investor Relations and Enterprise Risk Management, who assess their potential impact. Depending on the severity, a risk strategy is selected (risk acceptance, transference, avoidance or reduction), implemented, monitored and reported in accordance with the risk management process.

Risk Categories

We have grouped the risks that our business faces in the following categories and investors should read this *Business Risk and Uncertainty* section in full:

- **Strategic:** risks arising from inability to implement appropriate business plans or strategies, from inappropriate decision-making processes or inappropriate utilization or allocation of resources and the inability to adapt to competition and changes in the market or financial environment;
- **Operational:** risks of loss arising from inadequate or failed internal processes, people, and systems or from external events;
- **Cybersecurity:** risks arising from breach of technical infrastructure or unauthorized use of technology within CAE resulting in loss of business and personal information;
- **Talent:** risks arising from failure to effectively manage talent recruitment, development, retention, key person reliance, wellbeing, health and safety, and resource allocation;
- **Financial:** risks arising from ineffective management of financial tools leading to a loss in revenue/profit, shareholder value and/or CAE's overall stability;
- **Legal and Regulatory:** risks arising from failure to comply with local and international laws or to identify proper legal protection (e.g., patents) or to implement appropriate corporate governance practices to shield CAE from unfavourable consequences;
- **Environmental, Social & Governance:** risks arising from environmental, social and/or governance events, conditions or ineffective practices leading to a tarnished reputation, loss of confidence, legal sanctions, or financial impact;
- **Reputational:** risks of a tarnished reputation and/or loss of confidence and trust with customers and key stakeholders caused by reputational impacting events; and
- **Technological:** risks arising from ineffective practices related to IT infrastructure, technology investment and privacy and records retention.

10.1 Strategic risks

Geopolitical uncertainty

Geopolitical developments (e.g., political tensions, changes in government commitment, direction and regulatory requirements) can disrupt CAE's operations and have a significant impact on CAE's financial position. Throughout fiscal 2024, global uncertainty continued to intensify, such as continuing military hostilities in Ukraine, war between Hamas and Israel, and, in some parts of the world, political instability has become more pronounced, protracted and unpredictable. Such rising or persisting geopolitical tensions, policy changes and prolonged political instability in various countries where we have a presence could lead to delays or cancellation of orders, deliveries or projects, difficulties or increased costs related to repatriating capital or the expropriation of assets in which we have invested significant resources, particularly when the customers are state-owned or state-controlled entities. Additionally, geopolitical developments can have potentially wide-ranging consequences for global market volatility and economic conditions, and the resulting impacts to the economy, financial markets, inflation, interest rates and unemployment, among others, could adversely affect CAE's performance. It is also possible that in the markets we serve, unanticipated political instability and political developments impacting international trade, including trade disputes, increased tariffs and sanctions, may negatively impact markets and cause weaker macroeconomic conditions or drive political or national sentiment, impacting CAE's operating environment, results and financial position.

As a result of the ongoing conflict in Ukraine, certain countries, including Canada and the U.S., have imposed strict financial and trade sanctions against Russia, which have had, and may continue to have, far-reaching effects on the global economy and energy and commodity prices. CAE has suspended all services and training to Russian airlines and aircraft operators, which has impacted our results of operations in fiscal 2024 and will continue to impact our results going forward. Depending on the extent, duration and severity of the war, it may have the effect of heightening many of the other risks described herein.

Global economic conditions

CAE's results from operations are sensitive to and may be significantly impacted by changes in the economic conditions of the industries and geographic areas in which we operate. CAE may fail to anticipate and/or react in an agile manner to known and unanticipated global economic conditions (e.g., business cycles, trends, inflation, unemployment, financial soundness, and supplier and consumer confidence). Also, any prolonged or significant impact arising from difficult economic conditions may have an adverse effect on our business, results from operations and financial condition.

Competitive business environment
We sell our simulation products, training services and software solutions in highly competitive international markets and we expect such competition to intensify in the future. CAE may lose its competitive advantage by failing to anticipate and/or react in an agile manner to known and unexpected moves by existing or new competitors. New participants have emerged in recent years and the competitive environment is intense, with aerospace and defence companies positioning themselves to try to take greater market share by consolidating through mergers and acquisitions and vertical integration strategies and by developing their own internal capabilities. Some of our competitors in the simulation and training markets are also involved in other major segments of the aerospace and defence industry beyond simulation and training. As such, some of them are larger than we are, and may have greater financial, technical, marketing, manufacturing and distribution resources and market share which could adversely affect CAE's ability to compete successfully. In addition, our main competitors are either aircraft manufacturers, or have well-established relationships with aircraft manufacturers, airlines and governments, which may give them an advantage when competing for projects.

Moreover, as we expand our product portfolio to software solutions, we face new competitors who are able to leverage a larger installed customer base and their involvement beyond software solutions to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell our software at lower prices. We also face competition from niche companies that offer particular software solutions that attempt to address certain problems that our software solves or certain customer needs. We expect to continue to invest significant resources in research and development to continue to enhance our software solutions and leverage a high level of customer satisfaction, but there is no assurance that we can satisfy customer demands as they evolve.

Finally, economic growth and pressure underlie the demand for all of our products and services. Periods of economic recession, constrained credit, government austerity and/or international commercial sanctions generally lead to heightened competition for demand of our services and products. This in turn, typically leads to a reduction in profit on sales won during such a period. Should such conditions occur, we could experience price and margin erosion.

OEM leverage and encroachment
We secure data, parts, equipment and many other inputs from a wide variety of OEMs, subcontractors and other sources. CAE may lose its competitive advantage by failing to anticipate and/or react in an agile manner to known and unanticipated changes from existing and/or new OEMs. Also, we are not always able to find two or more sources for inputs that we require, and, in the case of specific aircraft simulators and other training equipment, significant inputs can only be sole-sourced. We may therefore be vulnerable to delivery schedule delays, the financial condition of the sole-source suppliers and their willingness to deal with us. Within their corporate groups, some sole-source suppliers include businesses that compete with parts of our business and reap certain critical advantages; an OEM controls the pricing for the data, parts and equipment packages that are often required to manufacture a simulator specific to that OEM's aircraft, which in turn, is a critical capital cost for any simulation-based training service provider. This could lead to onerous licencing terms, high licence fees or even refusal to licence to us the data, parts and equipment packages that are often required to manufacture and operate a simulator based on an OEM's aircraft.

CAE, as an independent training provider and simulator manufacturer, has the ability to replicate certain aircraft platforms without data, parts and equipment from the OEM. Where we use an internally produced simulation model for an aircraft or develop courseware without using OEM-sourced and licenced data, parts and equipment, the OEM in question may attempt retaliatory or obstructive actions against us to block the provision of training services or manufacturing, sale and/or deployment for training of a simulator for such aircraft, claiming breach of intellectual property rights or other legal basis. Such actions may cause us to incur material legal fees and/or may delay or prevent completion of the simulator development project or provision of training services, which may negatively impact our financial results.

Similarly, where we use open-source software, freeware or commercial off-the-shelf software from a third party, the third party in question or other persons may attempt retaliatory or obstructive actions against us to block the use of such software or freeware, claiming breach of licence rights or other legal basis. Such actions may cause us to incur material legal fees and/or may delay or prevent completion of the simulator development project or provision of training services, which may negatively impact our financial results.

Inflation
Our operations are vulnerable to increases in costs of significant inputs, such as energy, components, raw materials, and transportation. Ongoing inflation would further drive up our overall operational costs. We may not be able to pass unplanned increases in costs to our customers in full or at all in a timely manner, successfully negotiate requests for equitable adjustment from our government customers, or otherwise offset such unforeseen cost increases through efficiencies and the like, and as a result any significant increases in our costs and/or the failure of our measures to limit their impact could have a material adverse effect on our business, financial condition, prospects and/or results of operations.

International scope of our business
We have operations in over 40 countries including our joint venture operations. We also sell and deliver products and services to customers around the world. Sales to customers outside Canada made up approximately 90% of revenue in fiscal 2024. We expect sales outside Canada to continue to represent a significant portion of revenue in the foreseeable future. As a result, we are subject to the risks inherent in conducting business abroad, including, among other things:

- Change in Canadian and foreign government policies, laws, regulations and regulatory requirements, or the interpretation, application, and/or enforcement thereof, including with regards to sourcing restrictions, requirements to expend a portion of program funds locally and governmental industrial cooperation or participation requirements (also known as offset arrangements);
- Adoption of new, and the expansion of existing tariffs, embargoes, controls, sanctions, trade, work or travel restrictions and other restrictions;
- Recessions and other economic crises in other regions or specific foreign economies and the impact on our cost of doing business in those regions;
- Acts of war, civil unrest, force majeure and terrorism;
- Social and economic instability;
- Risk that inter-governmental relationships may deteriorate such that CAE's operations in a given country may be negatively impacted;
- Limitations on the CAE's ability to repatriate cash, funds or capital invested or held in jurisdictions outside Canada;
- Difficulties, delays and expenditures that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions; and
- Complexity and corruption risks of using foreign representatives, consultants and other business partners.

While the impact of these risks is difficult to predict, any one of them could adversely affect our financial position, results of operations, reputation and/or cash flows.

Level and timing of defence spending
A significant portion of our revenue is generated by sales to defence and security customers around the world. We provide products and services for numerous programs to Australian, Canadian, European, UAE, U.K., U.S., and other foreign governments as both the prime and/or subcontractor. As defence spending comes from public funds and is always competing with other public interests for funding, there is a risk associated with the level of spending a particular country may devote to defence as well as the timing of defence contract awards, which can be very difficult to predict and may be impacted by numerous factors such as the political environment, foreign policy, macroeconomic conditions, the nature of the international threat environment and the risk of availability of funding influenced by customers' budget cycles. Fluctuations in defence spending in the markets in which we operate or a significant delay in the timing of defence procurement could have a material negative impact on our future revenue, earnings and operations.

Civil aviation industry
A significant portion of our revenue comes from supplying equipment and training services to the commercial and business airline industries. The civil aviation market is predominantly driven by long-term trends in airline passenger and cargo traffic. The principal factors underlying long-term traffic growth are sustained economic growth and political stability both in developed and emerging markets. Potential impediments to steady growth include acts of terrorism, health crises, natural disasters, the interruption of global mobility, oil price volatility, increased global environmental regulations or other major world events.

Demand for training solutions in the civil aviation market is further influenced by airline profitability, availability of aircraft financing, OEMs ability to supply aircraft, world trade policies, technological advances, government-to-government relations, national aviation authority regulations, price and other competitive factors, fuel prices and geopolitical environment.

Constraints in the credit market may reduce the ability of airlines and others to purchase new aircraft, negatively affecting the demand for our training equipment and services, and the purchase of our products. In addition, airline consolidations, fleet decisions or financial challenges involving airline customers could impact our revenues and limit our opportunity to generate profits from those customers.

Our ability to penetrate new markets
Penetration of new markets, including as a result of new technologies, represents both a risk and an opportunity for CAE. Success in these markets is by no means assured. As we operate in new markets, unforeseen difficulties, major investments and additional expenditures could arise, which may have an adverse effect on our operations, financial position, profitability and reputation. Penetrating a new market is inherently more difficult than managing within our already established markets. New products and technologies introduced in new markets could also generate unanticipated safety or other concerns resulting in expanded product liability risks, potential product recalls and other regulatory issues that could have an adverse impact on us.

Research and development activities
We carry out some of our R&D initiatives with the financial participation of governments, including the Government of Quebec and the Government of Canada. We also receive investment tax credits from federal and provincial governments in Canada and from the federal government in the U.S. and the U.K. on eligible R&D activities that we undertake. The level of government financial participation and investment tax credits we receive reflects government policy, fiscal policy and other political and economic factors. We may not, in the future, be able to replace these existing programs with programs of comparable benefit to us, which could have a negative impact on our financial performance and R&D activities. Moreover, the investment tax credits available to us can be reduced by changes to the respective governments' legislation which could have a negative impact on our financial performance and R&D activities. In addition, these credits and programs are routinely subject to review and audit, which may result in challenges and disputes and could result in reductions or reversals of grants, credits or contributions previously received.

Furthermore, our R&D investments in new products or technologies may or may not be successful. Our results may be impacted if we invest in products that are not accepted on the market, if customer demand or preferences change, if new products are not brought to market in a timely manner, if we lack commercial or procurement experience, if we experience delays in obtaining regulatory approvals, or if our products become obsolete. We may also incur cost overruns in developing and bringing to market new products.

Evolving standards and technology innovation and disruption
The civil aviation and defense and security markets in which we operate are characterized by changes in customer requirements, new aircraft models, evolving industry standards, increased power to analyze data and evolving customer expectations influenced by global trends such as climate change, pandemics, the growth of developing markets, population growth and demographic factors. CAE may fail to catch the next wave of market disruption and/or be displaced by disruptive technologies or services due to inadequate resourcing, organization and management of transformation. If we do not accurately predict the needs of our existing and prospective customers, develop new products, enhance existing products and services and invest in and develop new technologies that address those evolving standards and technologies, we may lose current customers and be unable to attract new customers or penetrate new markets successfully. This could reduce our revenue and market share.

The evolution of technology could also have a negative impact on the value of our fleet of FFSs or require significant investments to our fleet to update to the evolving technology. The adoption of new technologies, such as AI, machine learning and unmanned aerial systems or remotely piloted aircraft, presents opportunities for us, but may result in new and complex risks. Also, our business could be negatively affected if our products do not successfully integrate or operate with other sophisticated software, hardware, computing and communications systems that are also continually evolving.

Length of sales cycle
The sales cycle for our products and services can be long and unpredictable, ranging from 6 to 18 months for Civil Aviation applications and from 6 to 24 months or longer for Defense and Security applications. During the time when customers are evaluating our products and services, we may incur expenses and management time. Incurring these expenditures in a period that has no corresponding revenue will affect our operating results and financial position. We may pre-build certain products in anticipation of orders to come and to facilitate a faster delivery schedule to gain competitive advantage; if orders for those products do not materialize when expected, we have to carry the pre-built product in inventory for a period of time until a sale is realized.

Business development and awarding of new contracts
We obtain most of our contracts through competitive bidding processes. As the competitive environment intensifies, the number of bid protests may increase. Significant costs and managerial time are required to prepare bids and proposals for contracts that may not ultimately be awarded to CAE, may be split with competitors, or may be delayed beyond the timeframe we had planned. A significant portion of our revenue is dependent on obtaining new orders and continued replenishment of our adjusted backlog. We cannot be certain that we will continue to win contracts through competitive bidding processes at the same rate as we have in the past. Moreover, certain foreign governments increasingly rely on certain types of contracts that are subject to multiple competitive bidding processes, including multi-vendor indefinite delivery/indefinite quantity (ID/IQ), General Services Administration Pricing Schedule and other supply chain leveraging strategies, which may result in greater competition and increased pricing pressure. Furthermore, our competitive environment is also affected by a significant number of bid protests from unsuccessful bidders on new program awards. Bid protests can result in contract modifications or the award decision being reversed and loss of the contract award. Even where a bid protest does not result in the loss of an award, the resolution can extend the time until the contract activity can begin, which can reduce our earnings in the period in which the contract would otherwise be performed.

Strategic partnerships and long-term contracts
We have long-term strategic partnerships and contracts with major airlines, aircraft operators and defence forces around the world, including Authorized Training Provider agreements. These long-term contracts are included in our backlog at the awarded amount but could be subject to unexpected adjustments or cancellations and therefore do not represent a guarantee of our future revenues. We cannot be certain that these partnerships and contracts will be renewed on similar terms, or at all, when they expire, and our financial results could be adversely affected by our partners' level of operations, revenue, financial health, contribution and indemnifications. We can make no assurance that customers will fulfill existing purchase commitments, exercise purchase options or purchase additional products or services from CAE.

CAE cannot assure investors that we will effectively manage our growth
Our growth has placed and may continue to place significant demands on our management and operational and financial infrastructure. As our operations grow in size, scope and complexity, and as we identify and pursue new opportunities, we may be subject to both transition and growth-related risks, including capacity constraints and pressure on our internal systems and controls, and may need to increase the scale of our infrastructure (financial, management, informational, personnel and otherwise). There can be no assurance we will be able to respond adequately or quickly enough to the changing demands that material expansion will impose on management, team members and existing infrastructure, and changes to our operating structure may result in increased costs or inefficiencies that we cannot anticipate. Our ability to manage future growth effectively requires us to continue to implement and improve financial, management and operational processes and systems and to expand, train and manage our employee base. As our organization continues to grow and we are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture and efficiencies, including our ability to quickly develop and launch new and innovative products. Any of these difficulties could adversely impact our business performance and results of operations.

Estimates of market opportunity
The estimates of market opportunity included in this MD&A, including those we have generated ourselves, are subject to significant uncertainty and are based on assumptions and estimates. While our estimates of the addressable markets included in this report were made in good faith and are based on assumptions and estimates we believe to be reasonable, these estimates may not prove to be accurately indicative of our future growth. Further, even if the estimates of our market opportunity do prove to be accurate, we could fail to capture a significant portion, or any portion, of the available markets.

Competing priorities
Responding to competing priorities as well as critical and time-sensitive matters as they emerge throughout the organization may divert management's attention from our key strategic priorities, and cause us to reduce, delay, or alter initiatives that could otherwise increase our long-term value.

10.2 Operational risks

Supply chain disruptions
Unpredictable shifts in supply and demand patterns on a global scale may cause delays in project delivery, increase price pressure from single sourced items and overall project costs and result in declining bid performance. The widening geopolitical fractures and tensions intensify global supply chain imbalances. Further, conservative and protective behaviours from businesses and governments, such as increasing demand and hoarding, as well as increased competition for critical raw materials or components may hinder our ability to secure such commodities in a timely fashion or at budgeted costs or both, thus impacting our operational and financial performance. In this context, supply chain disruptions may hinder our ability to execute projects in a timely manner, support aftermarket needs, finish projects or leave us with unsold materials or products, all of which could result in penalties or impacts on contract profitability and could have a material adverse effect on our business, financial condition and results of operations. Delays and volatility specific to our supply chain requirements could ultimately have an overall negative impact on our ability to compete on the market, our client relationships, our growth, reputation, financial performance and cash flows.

Program management and execution
CAE may fail to accurately estimate the resources and costs required to fulfill contract commitments, as well as to effectively manage and control our costs, which may impact our profitability.

When making proposals, we rely heavily on our estimates of costs and timing for completing the associated projects, as well as assumptions regarding technical issues. We may bid on programs for which the work activities, deliverables, and timelines are vague or for which the solicitation incompletely describes the actual work, which may result in inaccurate pricing assumptions. Furthermore, we may realize the lost opportunity cost of not bidding on and winning other contracts that we may have pursued otherwise.

Contracts are often long-term and may involve new technologies, unforeseen events, such as technological difficulties, cost fluctuations, significant inflation, problems with suppliers, and cost overruns. These factors affect the cost estimates of the contracts we bid on, which can result in the contractual price becoming less favourable or even unprofitable for us. Our profitability could also be negatively affected if we continue to experience increased labour/material inflationary pressures, economic headwinds and global supply chain disruptions.

If we experience difficulties or do not meet program milestones, we may be unable to achieve program milestones as currently scheduled and may have to devote more resources than originally anticipated, which may impact timely execution and profitability.

Mergers and acquisitions
CAE may fail to achieve the expected strategy, synergies and outcomes associated with the integration of acquired entities. The realization of anticipated benefits from mergers, acquisitions and related activities depends, in part, upon our ability to integrate the acquired business, the realization of synergies both in terms of successfully marketing our broadened product and service portfolio, efficient consolidation of the operations of the acquired businesses into our existing operations, cost management to avoid duplication, information systems integration, technology investments, staff reorganization, establishment of controls, procedures, and policies, performance of the management team and other personnel of the acquired operations as well as cultural alignment. There can be no assurance that we will realize anticipated synergies, or that we will meet any financial and performance targets provided. In addition, our inability to adequately integrate an acquired business in a timely manner might result in departures of qualified personnel or lost business opportunities which would negatively impact operations and financial results. There are also risks associated with the acquisition of a business where certain legacy liabilities could arise and where there is strong reliance and dependency on certain key suppliers.

Business continuity
CAE may be unable to recover from business interruptions, including pandemics, natural disasters, political/social unrest, terrorism, and IT disruptions including those at third-party suppliers and service providers, in an efficient and timely manner. Such disruptions may cause delays in the execution of certain programs which require us to incur additional non-compensable costs, including overtime work, that are necessary to meet clients' schedules to avoid penalties or sanctions under contracts or even the cancellation of some contracts. These business interruptions can also have a detrimental effect on our customers' operations and may lead to aircraft being grounded and flights delayed. Our vulnerability and that of our partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks has also increased since the COVID-19 pandemic, the increased geopolitical tensions and our recent acquisitions.

Subcontractors
We engage subcontractors for many of our contracts with whom we may have disputes, including with regard to the quality and timeliness of their work, customer concerns, or their failure to comply with applicable laws. Subcontractors may not be able to acquire or maintain the quality of the materials, components, subsystems and services they supply, which might result in greater product returns, service problems and warranty claims. In connection with our government contracts, we may be required to procure certain materials, components and parts from local suppliers or supply sources approved by government authorities and CAE relies on subcontractors and other suppliers to comply with applicable laws, regulations and other requirements regarding procurement of counterfeit, unauthorized or otherwise non-compliant parts or materials. Each of these subcontractor risks could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Fixed price and long-term supply contracts
We provide a number of our products and services through fixed-price contracts that enable us, contrary to cost-reimbursable contracts, to benefit from performance improvements, cost reductions and efficiencies, but also require us to absorb cost overruns reducing profit margins or incurring losses if we are unable to achieve estimated costs and revenues. It can be difficult to estimate all of the costs associated with these contracts, including assumptions on future rates of inflation, or to accurately project the level of sales we may ultimately achieve. In addition, a number of contracts to supply equipment and services to commercial airlines and defence organizations are long-term agreements that can run up to 25 years. While some of these contracts can be adjusted for increases in inflation and costs, the adjustments may not fully offset the increases, or we may not be able to successfully negotiate requests for equitable adjustment from our government customers, which could negatively affect the results of our operations. Other contracts involve new technologies and applications and unforeseen events, such as technological challenges, fluctuations in the price of raw materials, a significant increase in inflation, problems with our suppliers and cost overruns, can result in the contractual price becoming less favourable or even unprofitable to us over time. Some of our programs rely on the supply of OEM systems as specified by our customers and over which we may have limited control over pricing and against which our customer contracts may not sufficiently provision to cover unplanned price increases from such OEMs.

In particular, 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. 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 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).

The recognition of risks associated with the Legacy Contracts has been accelerated in the fourth quarter of fiscal 2024 following revised agreements on scope and timing with customers, suppliers and other stakeholders, which resulted in profit adjustments associated with the reassessment of estimated costs. The extent to which the ongoing risk retirement on these programs might impact Defense and Security margins in the coming quarters will depend on the actual timing of program close outs, customer acceptance, and the ability to mitigate associated risks and costs as we continue to execute them.

If our efforts to execute and retire the Legacy Contracts within expected timeframes and within projected costs are not as anticipated, whether individually or in the aggregate, it could result in continuing material impacts on the overall Defense and Security segment financial position and results, the severity of which cannot be predicted at this time.

Continued reliance on certain parties and information
Following an acquisition closing date, CAE may remain reliant on the target's personnel, good faith, expertise, historical performance, technical resources and information systems, timely support, proprietary information and judgment in providing the services to customers under a transitional services agreement. Accordingly, we may continue to be exposed to adverse developments in the business and affairs of parties with which we contract.

Although we strive to conduct a sufficient level of investigation in connection with any acquisition or related transaction, an unavoidable level of risk remains regarding the accuracy, quality and completeness of the information provided to CAE. There may also be liabilities, deficiencies or other claims associated with companies or assets we acquire that we failed to discover or were unable to quantify accurately or at all in our due diligence which may result in unanticipated costs. CAE may not be in a position to independently verify the accuracy or completeness of such information, and there may be events which may have occurred with respect to acquisition targets, or which may affect the completeness or accuracy of the information provided which are unknown to CAE.

Health and safety
We strive to maintain a safe work environment for all our employees and contractors and for customers training in our facilities, and to mitigate workplace incidents, risks and hazards. As part of our operations, employees may be required to engage in high-risk activities that include handling hazardous materials, operating complex machinery and working in environments that may pose physical hazards. Despite our rigorous safety protocols and training programs, there remains an inherent risk of accidents, injuries or illnesses occurring on the job. Any significant incident could result in operational disruptions, legal liabilities, increased insurance costs, and reputational harm. In addition, failure to comply with health and safety regulations could lead to substantial fines and impact our ability to secure future contracts.

10.3 Cybersecurity risks

Cybersecurity
CAE's operational continuity and business performance is dependent on the reliability and trust of our digital value chains. These value chains support our critical business, operational and sales functions. CAE could be negatively impacted by threats to the security of its digital, IT and other related electronic systems. CAE could be faced with the risk of disruption, loss, theft, misuse, or unauthorized access to pertinent sensitive data (e.g., intellectual property) and confidential information (e.g., customer, partner and employee information) stored on CAE's systems and technologies and/or those of its partners, suppliers, and vendors and non-compliance with regulatory, legislative and commercial security requirements.

Cybersecurity incidents related to our information technology systems, digital platforms and software supply chain are a threat to the integrity, reliability, and availability of technology and data. Cybersecurity incidents may take the form of system failures and non-availability, software bugs or defects, cyber-attacks, cyber extortion (including ransomware), breaches of systems security, electronic crime, malware, unauthorized attempts to gain access to our proprietary and sensitive information, hacking, phishing, identity theft, theft of intellectual property and confidential information, denial-of-service attacks aimed at causing network failures and services interruption and other cybersecurity threats to our information technology infrastructure and systems.

Continued use of remote work and use of video conferencing and collaborative platforms (initially implemented by CAE in response to the pandemic) has increased the pressure on our information technology infrastructure which, in turn, may increase CAE's vulnerability to these risks. In addition, subcontractors may, based on the requirements of their participation in our processes, be granted access to our IT platform and software solutions, thereby exposing us to heightened IT and cybersecurity risks.

A successful breach of security of our information systems could lead to theft or misuse of our customers', employees', suppliers', shareholders', or business contacts' proprietary, confidential, or personal data information and result in third-party claims against us, reputational harm, regulatory fines or financial loss.

IT, digital and cybersecurity risks could disrupt our operations and cause our airline customers' operations to be significantly disrupted by having to ground their fleet or delay flights.

Cybersecurity risks include the risk of loss of, corruption of, or unauthorized disclosure or access to business information and data, confidential, classified or restricted information. This may include unauthorized access to information belonging to CAE, our employees, or our business partners, including aircraft OEMs, fixed based operations and customers. These risks expose us to client attrition, non-compliance with privacy legislation or any other laws in effect, litigation, regulatory fines, penalties or regulatory action, compliance costs, corrective measures, investigative or restoration costs, cost hikes to maintain and upgrade technological infrastructures and systems or reputational harm, all of which could have a negative effect on CAE's operating results, reporting capabilities, profitability and reputation.

Given the highly evolving nature of cyber or other security threats or disruptions and their increased frequency, the impact of any future incident cannot be easily predicted, and the costs related to such threats or disruptions may not be fully insured or indemnified by other means. This is accentuated by the increasing geopolitical stressors. In addition, the digital transformation, and the adoption of emerging technologies, such as AI, deep fakes, quantum threats, use of automated techniques by adversaries and the increasing use of "frontier" cyber offensive techniques, call for continued focus and investment to manage our risks effectively.

Furthermore, we may experience similar security threats at customer sites that we operate or manage or to which we gain access to deliver services. CAE may be impacted by cybersecurity risks and similar incidents at our customers, suppliers and partners. These parties have varying levels of cybersecurity maturity, expertise and safeguards. In addition, some of these parties may have an elevated threat condition due their involvement in government and defense contracts, which can similarly elevate the risk to CAE and the likelihood of the threats we face.

10.4 Talent risks

Recruitment, development and retention
CAE may be unable to attract, develop and retain top talent, key people and critical roles to achieve CAE's global strategic objectives. To support our growth strategies, objectives and normal business operations, CAE needs to maintain a sufficient, qualified and engaged workforce. Our financial position, global brand reputation and ability to achieve strategic objectives may be negatively affected by a failure to manage attrition, to retain and integrate key personnel, to maintain an appropriately sized workforce to meet contract needs and to transition employees from completed projects to new projects or between internal business groups. The identification and the development of our future leaders are becoming a necessity to secure a solid succession planning for critical roles. Since the pandemic and as broadly reflected in the industry, CAE has been faced with new talent-related challenges and risks, including higher employee mobility, a re-evaluation of employee's relationship with their workplace and a highly competitive employee marketplace which may make it more difficult to recruit, attract and retain skilled personnel, reducing the availability of our workforce and causing human impacts that may, in turn, negatively impact our business.

Key personnel and management
Our continued success will depend in part on our ability to attract, recruit and retain key personnel and management with relevant skills, expertise and experience, including technology developers of our intellectual property. CAE is dependent on the industry experience, qualifications and knowledge of a variety of employees, including our executive officers, managers and other key employees to execute our business plan and operate our business. If we were to experience a shortfall, illness or a substantial turnover in our leadership or other key employees or teams, our business, results from operations and financial condition could be materially adversely affected. The emergency succession plan put in place to deal with any situation which requires immediate replacement of our key personnel and management presents logistical challenges in its application and incremental costs to CAE. Failure to successfully implement such a succession plan, where relevant, for key roles, could impair our business until qualified replacements are found.

Corporate culture
We believe that a critical contributor to our success has been our corporate culture, which is based on our core values of One CAE, Innovation, Empowerment, Excellence and Integrity. As we continue to grow and develop, we must effectively integrate, develop and motivate a growing number of new employees, based in various countries around the world, some of whom come to us via acquisitions. In addition, we must preserve our ability to execute quickly in further developing our products and services and implementing new features and initiatives. Preserving our corporate culture is crucial as it affects employee engagement, innovation, and operational effectiveness. Failing to adapt could hinder recruitment, retention, and our overall business strategy execution.

Labour relations
Approximately 2,300 employees are represented by unions and are covered by 54 collective agreements as of March 31, 2024. These collective bargaining agreements have varying terms and expiration dates. If we experience difficulties with renewals and renegotiations of existing collective agreements or if our employees pursue new collective representation, we could incur additional expenses and may be subject to work stoppages, slow-downs or other labour-related disruptions. Any such expenses or delays could adversely affect our programs served by employees who are covered by such agreements or representation.

10.5 Financial risks

Availability of capital
We depend, in part, upon our debt funding and access to capital markets. We have various debt facilities, including lease liabilities, with maturities ranging between calendar 2024 and 2071, and we cannot provide assurance that these facilities will be refinanced at the same cost, for the same duration and on similar terms as were previously available. If we require additional debt funding, our market liquidity may not be sufficient considering multiple factors including significant instability or disruptions of the capital markets, a deterioration in or weakening of our financial position due to internal or external factors, restrictions or prohibitions on CAE's access to these facilities, or significant increase in the cost of one or more of these facilities, including credit facilities or the issuance of medium- and long-term debt, which may adversely affect our ability to fund our operations and contractual or financing commitments.

Our unsecured senior notes, term loans and revolving credit facility include standard events of default and covenant provisions whereby accelerated repayment and/or termination of the agreements may result if we were to default on payment or violate certain covenants. In the event that we are unable to maintain compliance with such covenants, we may have restricted access to capital, and we would be required to obtain amendments or waivers from our lenders, refinance the indebtedness subject to covenants or take other mitigating actions prior to a potential breach.

Availability of capital could also be negatively impacted should a deterioration of CAE's financial position result in a reduction or downgrade of its credit rating. This could limit CAE's access to sources of short-term and long-term debt financing. In addition, this could significantly increase the costs associated with utilizing short-term or long-term debt facilities or future refinancing of such facilities, which would in turn have a material adverse effect on CAE's business, financial profile and results of operations.

Customer credit risk
We are exposed to credit risk on accounts receivable from our customers. Adverse changes in a customer's financial condition could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's future business, or result in uncollectible trade accounts receivable from that customer. Future credit losses relating to any one of our major customers could be material and could result in a material charge to our financial results.

Foreign exchange
Our operations are global with approximately 90% of our revenue generated from worldwide exports and international activities generally denominated in foreign currencies, mainly the U.S. dollar, the Euro and the British pound. Our revenue is generated approximately 50% in the U.S., and the balance in Europe and the rest of the world.

Three areas of our business are exposed to fluctuations of foreign exchange rates; our global network of training, software and services operations, our production operations abroad (mainly in Germany, and the U.S.) and our production operations in Canada as a significant portion of the revenue generated in Canada is in foreign currencies, while a large portion of our operating costs is in Canadian dollars.

For our Canadian operations, when the Canadian dollar increases in value, it negatively affects the translation of our foreign currency denominated revenue and hence our financial results because our results are consolidated in Canadian dollars for financial reporting purposes. However, when the Canadian dollar decreases in value, it negatively affects our foreign currency-denominated costs. Since not all of our revenue is hedged, it is not possible to completely offset the effects of changing foreign currency values, which leaves some residual exposure that may impact our financial results. This residual exposure may be higher when currencies experience significant short-term volatility.

Business conducted through our foreign operations are substantially based in local currencies which are translated to Canadian dollars for financial reporting purposes. Appreciation of foreign currencies against the Canadian dollar would have a positive translation impact and a devaluation of foreign currencies against the Canadian dollar would have the opposite effect.

Effectiveness of internal controls over financial reporting
Our disclosure controls and procedures and internal controls over financial reporting may fail to prevent certain material errors and fraud. A control system can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to these inherent limitations, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Any failure of our internal controls could have an adverse effect on our results of operations, harm our reputation and limit our ability to produce timely and accurate financial statements or comply with applicable regulations, causing investors to lose confidence in our reported financial information. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and results of operations.

Liquidity risk
CAE faces liquidity risks which stem from holding assets that cannot be readily converted to cash when needed. The increased geopolitical uncertainty and general economic conditions have amplified the unpredictability of business and transaction cycles, thereby bringing uncertainty as to the cash we expect to generate from our operations and our ability to meet financial requirements in the foreseeable future.

Interest rates
We are exposed to risk on the interest rate of our debt. If interest rates increase, our floating rate long-term debt would increase even though the amount borrowed remained the same, and net income and cash flows would decrease, which could materially and adversely affect CAE's financial condition and operating results. Increasing interest rates may also restrict our ability to expand into new markets if we do not have access to debt or equity capital on acceptable terms, which in turn may negatively affect our competitiveness and results of operations. Similarly, changes in interest rates may negatively affect the ability of our customers to deploy capital or to obtain credit to finance their businesses on acceptable terms, which will impact their demand and ability to pay for our products and services.

Returns to shareholders
Payment of dividends and other cash or capital returns (such as a normal course issuer bid for the repurchase of our outstanding shares) to our shareholders are at the discretion of the Board of Directors and depend on various factors, including our operating cash flows, sources of capital, the satisfaction of solvency tests and other financial requirements, our operations and financial results, our ability to repatriate cash from our subsidiaries, as well as our dividend and other policies which may be reviewed from time to time.

No assurance can be given as to whether or when CAE will declare and pay dividends in the future, or the frequency or amount of any such dividend. In addition, there is no assurance that shareholders who have their common shares enrolled in CAE's Dividend Reinvestment Plan (DRIP) will continue to have their common shares participate in the DRIP, which may have an impact on our cash flows.

Cash disbursements used for the repurchase of our outstanding shares may have an impact on available cash to use to respond to unforeseen challenges or other capital allocation priorities that might have generated higher returns or contributed to CAE's long-term growth.

Shareholder activism
We may be subject to legal and business challenges in the operation of our business due to actions instituted by activist shareholders or others who may from time to time engage in proxy solicitations, advance shareholder proposals, attempt to acquire control via a hostile take-over bid or otherwise or attempt to involve themselves in the governance, strategic direction, and operations of CAE. Responding to such challenges can be costly and time-consuming, disrupting operations, requiring us to incur increased advisory fees and related costs, and diverting the attention of CAE's board, senior management and employees from the pursuit of our business strategies. Perceived uncertainties as to CAE's future direction resulting from such challenges could result in the loss of potential business opportunities, cause concern to current or potential investors, make it more difficult to attract and retain qualified personnel and business partners, and affect our relationships with vendors, customers and other third parties. Actions of activist shareholders may cause significant fluctuations in the market price for CAE's securities based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of CAE's business.

Estimates used in accounting
Accounting for our contracts, notably contracts for the design, engineering, and manufacturing of training devices, requires judgment associated with estimating contract revenue and costs and assumptions for schedule and technical issues. Because of the significance of the judgments and estimation processes involved in accounting for our contracts, materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may have an impact on our financial statements including but not limited to impairment testing and fair value determination, and may adversely affect our future results of operations and financial condition.

Impairment risk
The carrying amounts of our non-financial assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and assets that are not yet available for use are tested for impairment annually or at any time if an indicator of impairment exists. Factors that may result in a change in circumstances, indicating that the carrying value of our goodwill or non-financial assets may not be recoverable include reduced future estimated cash flows, slower growth rates than forecasted and a decline in our share price and market capitalization. Change in key assumptions, such as a failure to meet our five-year strategic plan or other unanticipated circumstances, including market conditions, may affect the accuracy or validity of our estimates. Because of the significance of our goodwill and other non-financial assets, any future impairment of these assets could require material non-cash charges to our operating results, which also could have a material adverse effect on our financial condition.

Pension plans
Economic and capital market fluctuations can negatively affect the investment performance, funding and expense associated with our defined benefit pension plans. Pension funding for these plans is based on actuarial estimates and is subject to limitations under applicable regulations. Actuarial estimates prepared during the year were based on, amongst others, assumptions regarding the performance of financial markets, discount rates, inflation rates, future salary increases, estimated retirement ages and mortality rates. The actuarial funding valuation reports determine the amount of cash contributions that we are required to make into registered retirement plans. There can be no assurance that our pension expense and the funding of these plans will not increase in the future, thereby negatively impacting our earnings, cash flow and shareholders' equity.

Indebtedness
CAE may achieve strategic growth objectives by financing costs of acquisitions out of available liquidities, including cash on hand and/or advances or drawdowns under one or more of our revolving credit facility or other debt financing. Such borrowings could have material adverse consequences for CAE, including: limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; restricting our flexibility and discretion to operate our business; negatively impacting the credit rating of our long-term debt; limiting our ability to declare dividends on our common shares or buy back our outstanding shares; having to dedicate a portion of our cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes, exposing us to increased interest expense on borrowings at variable rates; limiting our ability to adjust to changing market conditions; placing CAE at a competitive disadvantage compared to our competitors that have incurred less debt; making CAE more vulnerable in a downturn in general economic conditions; and making it more difficult for us to satisfy our covenants with respect to our indebtedness. There is no guarantee that we will be able to obtain additional indebtedness or other financing on terms favourable to us or at all in order to repay the principal on such indebtedness when it becomes due.

If we are unable to generate sufficient funds to meet our obligations under our outstanding indebtedness, we may be required to refinance, restructure or otherwise amend or waive some or all of such obligations, sell assets or raise additional cash through additional issuances of our equity. In such case, we cannot make any assurances that we would be able to obtain such refinancing on terms as favourable as our current financing or that amendments or waivers would be obtained, that such restructuring, sales of assets or issuances of equity can be accomplished or, if accomplished, would raise sufficient funds to meet these obligations.

Acquisition and integration costs
We incur a number of costs associated with completing acquisitions and integrating the operations of CAE and acquired companies. The substantial majority of these costs are non-recurring expenses resulting from an acquisition and will consist of transaction costs related to the acquisition, including financial, legal and accounting costs, facilities and information technology systems costs and employment-related costs. Such expenses are difficult to estimate accurately and may exceed estimates. We may also fail to accurately forecast the financial impact of an acquisition or other strategic transaction, including tax and accounting charges. Accordingly, the benefits from an acquisition may be offset by unexpected costs incurred in integrating the businesses, which could cause our revenue assumptions to be inaccurate.

Sales of additional common shares
Any future issuance of common shares, or other securities convertible into common shares, may result in dilution to present and prospective common shareholders as well as dilution in earnings per share. CAE cannot predict the size of future issuances of common shares or the effect that future issuances and sales of common shares will have on the market price of the common shares. Issuances of a substantial number of additional common shares (or securities convertible into common shares), or the perception that such issuances could occur, may adversely affect the prevailing market price for the common shares.

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. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, financial condition, operating results and future prospects.

Seasonality
Our 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. We expect these trends to continue, but may be disturbed by the volatile geopolitical environment, supply chain and/or labour disruptions.

Taxation matters
We collect and pay significant amounts of taxes to various tax authorities. As our operations are complex and the related tax interpretations, regulations, legislation and jurisprudence that pertain to our activities are subject to continual change and evolving interpretation, the final outcome of the taxation of many transactions is uncertain. Also, a substantial portion of our business is conducted in foreign countries and is thereby subject to numerous countries' tax laws and fiscal policies. A change in applicable tax laws, treaties or regulations or their interpretation, such as the introduction of Pillar Two Model Rules designed to ensure large multinational enterprises pay a minimum level of tax on income arising in each jurisdiction they operate, could result in a higher effective tax rate on our earnings which could significantly impact our financial results.

Adjusted backlog
Adjusted backlog represents management's estimate of the aggregate amount of the revenues expected to be realized in the future. The termination, modification, delay, or suspension of multiple contracts may have a material and adverse effect on future revenues and profitability. We cannot guarantee that the revenues initially anticipated in our new orders will be realized in full, in a timely manner, or at all, or that, even if realized, such revenues will result in profits or cash generation as expected, and any shortfall may be significant.

10.6 Legal and regulatory risks

Data rights and governance
In providing services and solutions to clients, we collect, utilize, store and communicate confidential, personal, classified and proprietary information that may be highly sensitive. Any security breach, improper use and other types of unauthorized access or misappropriation of such information could not only lead to regulatory penalties, audits or investigations by various government agencies relating to our compliance with applicable laws, but also damage to our reputation or loss of confidence in our products and services.

Further, the management, use and protection of personal information (or personal data) are becoming increasingly important, particularly given the high value attributed to such information and the potential exposure to operational risks, reputational risks, and regulatory compliance risks, including compliance with the European Union's General Data Protection Regulation, the U.K.'s General Data Protection Regulation, Canada's federal Personal Information Protection and Electronic Documents Act and substantially similar equivalents at the provincial level, the California Consumer Privacy Act, and the proliferation of similar regulatory frameworks in other regions. Compliance with these requirements may prove to be complex and may add to our compliance costs. Further, our use of AI poses evolving risks as we continue to incorporate AI systems into our operations.

U.S. foreign ownership, control or influence mitigation measures
CAE and certain of our subsidiaries are parties to agreements with various departments and agencies of the U.S. government, including the U.S. Department of Defense, which require that these subsidiaries be issued facility security clearances under the U.S. Government National Industrial Security Program. This program requires that any corporation that maintains a facility security clearance be insulated from foreign ownership, control or influence (FOCI) via a mitigation agreement. As a Canadian company, we have entered into a FOCI mitigation agreement with the U.S. Department of Defense that enables these U.S. subsidiaries to obtain and maintain the requisite facility security clearances to enter into and perform on classified contracts with the U.S. government. Specifically, the mitigation agreement is a Special Security Agreement (SSA) for CAE USA Inc. If CAE fails to maintain compliance with the SSA, the facility security clearances for CAE USA Inc. could be terminated. If this occurred, our U.S. subsidiaries would no longer be eligible to enter into new contracts requiring a facility security clearance and could lose the right to perform certain existing contracts with the U.S. government to completion.

Compliance with laws and regulations
CAE operates in a highly regulated environment across many jurisdictions and is subject to, without limitation, laws and regulations relating to import-export controls, trade sanctions, anti-corruption, national security and aviation safety of each country. These laws and regulations may change without notice, which could impact our sales and operations in ways which we cannot predict. Any change could present opportunities or, to the contrary, have a materially negative effect on our results of operations or financial condition. For instance, changes imposed by a regulatory agency, including changes to safety standards imposed by aviation authorities, could mean that we will not be permitted to sell or licence certain products to customers, which could cause a potential loss of revenue. We could also be required to make unplanned modifications to our products and services, causing delays, higher inventory levels or resulting in postponed or cancelled sales or changes to sales predictions. Our compliance with government import-export regulations (e.g., International Traffic in Arms Regulations) may also be investigated or audited and we can be subject to potential liabilities associated with those matters.

Export control restrictions could also negatively impact our operations. For example, CAE's technology and services may be subject to export permit approvals and regulatory requirements which could take several months to obtain, thereby resulting in potential delays in obtaining export permits or even preventing us from exporting to certain countries, entities or people in or from a country. Also, failure to comply with export control requirements could lead to fines and/or being excluded from government contracts or subcontracts and reputational damages, which would negatively affect our revenue from operations and profitability and could have a negative effect on our ability to procure other government contracts in the future.

As a contractor to various governments, CAE must comply with procurement regulations and other specific legal requirements, such as sourcing restrictions, requirements to expend a portion of program funds locally and governmental industrial cooperation or participation requirements (also known as offset arrangements). These regulations and other requirements, although often customary in government contracting, increase our contract performance risks and compliance costs and are regularly evolving. Failure to comply with these regulations and other requirements could negatively impact our revenue from operations and profitability, and could have a negative effect on our ability to procure other government contracts in the future. In various jurisdictions, governments have been pursuing and may continue to pursue policies that could negatively impact our profitability, including seeking to shift additional responsibility and performance risks to the contractor.

In addition, CAE's global operations are subject to Canadian and foreign laws and regulations, including, without limitation, the *Corruption of Foreign Public Officials Act* (Canada), the *Foreign Corrupt Practices Act* (United States), the *U.K. Bribery Act* and other anti-corruption laws. Failure by CAE and its employees or by any business partner or supplier working on our behalf to comply with anti-corruption requirements could result in administrative, civil, or criminal liabilities, including suspension and debarment from bidding for or performing government contracts

Insurance coverage potential gaps
CAE products, services and/or operations can result in injury or damage to customers and other third parties, exposing CAE to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, property damage and financial loss.

As part of its business operations, CAE maintains a certain level of insurance coverage, subject to varying limits, deductibles or retentions. There can be no assurance that the available insurance will be sufficient in limits and comprehensive in scope to respond to potential claims. Our insurance is purchased from a number of third-party insurers, often in layered insurance arrangements. In the event that limits purchased or coverage may be inadequate, CAE may be forced to bear substantial costs, resulting in an adverse impact on our financial condition, cash flows, or operating results. Moreover, any accident, failure of, or defect in our products or services, even if fully indemnified or insured, could significantly impact the cost and availability of adequate insurance in the future.

Product-related liabilities
Simulators, software solutions and other products sold by CAE may contain defects or may be subject to human error which may present a safety risk. Said defects, or human error due to manual input, could result in warranty claims, potential product liability and personal injury claims and/or major disruption in the operations of our customers. CAE may incur significant costs to issue a product recall or to modify or retrofit these products to ensure their safety, whether these are mandated by aviation authorities or otherwise. In addition to litigation and settlement costs related to liability claims, an adverse judgment against CAE or customers' fleet being grounded due to potential safety risks in our software solutions may cause reputational damage and have a significant adverse effect on our business and operating results.

CAE may also be subject to product liability claims relating to equipment and services of discontinued operations or businesses sold, whereby CAE has retained past liabilities.

Environmental laws and regulations
CAE is exposed to various environmental risks and is subject to complying with environmental laws and regulations which vary from country to country and are subject to change. CAE's inability to comply with environmental laws and regulations could result in penalties, lawsuits and potential harm to our reputation.

New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination, new clean-up requirements or claims on environmental indemnities we committed to may result in us having to incur substantial costs. This could have a materially negative effect on our financial condition and results of operations.

Government audits and investigations
Government agencies routinely audit and investigate government contractors, as well as recipients of government grants and contributions, thereby increasing performance and compliance costs. These agencies may review our performance under our contracts, business processes, cost structure, and compliance with applicable laws, regulations and standards. Our incurred costs for each year are subject to audit by government agencies, which can result in payment demands related to costs they believe should be disallowed or a reduction or reversal of government grants and contributions to R&D programs. Although we work with governments to assess the merits of claims and, where appropriate, reserve for amounts disputed, we could be required to provide repayments to governments which could have a negative effect on our results of operations. We may continue to experience an increased number of audits and challenges to government accounting matters and business systems for current and past years, as well as a lengthened period of time required to close open audits, an increased number of broad requests for information and an increased risk of withholding of payments. If an audit or investigation were to uncover improper or illegal activities, we could be subject to further fines, administrative actions, termination of contracts, forfeiture of profits, suspension of payments or debarment from business with the government. The government could impose additional payment withholds or seek consideration for material not in compliance with associated sourcing standards.

Protection of our intellectual property and brand
We rely, in part, on trade secrets, copyrights and contractual restrictions, such as confidentiality agreements, patents, industrial designs, trademarks, and licences to establish and protect our proprietary rights. These may not be effective in preventing a misuse of our technology or in deterring others from developing similar technologies. We may be limited in our ability to acquire or enforce our intellectual property rights in some countries. Litigation related to our intellectual property rights could be lengthy and costly and could negatively affect our operations or financial results, whether or not we are successful in defending a claim. As the partner of choice elevating safety, efficiency and readiness, our brand is a significant asset. From time to time, we may authorize the use of our brand, under third party licence agreements. Additionally, in certain of our flight training organizations, we outsource some flying to third-party providers, but ultimately remain accountable for their performance operating for our brand. Adverse publicity related to incidents or litigation involving us, our partners or suppliers may impact the value of our brand.

Third-party intellectual property
Our products may contain sophisticated software and computer systems that are supplied to us by third parties. Moreover, our production of simulators often depends on receiving confidential or proprietary data on the functions, design and performance of a product or system that our simulators are intended to simulate. Our training systems may also involve the collection and analysis of customer performance data in connection with the use of our training systems. We may not be able to obtain access to such software, systems and data sets on reasonable terms, or at all. Infringement claims could be brought against us or against our customers. We may not be successful in defending these claims and we may not be able to develop certain functionalities, designs, and processes that do not infringe on the rights of third parties, or obtain licences on terms that are commercially acceptable, if at all. The markets in which we operate are subject to extensive patenting by third parties. Our ability to modify existing products or to develop new products and services may be constrained by third-party patents such that we incur incremental costs to licence the use of the patent or design around the claims made therein.

Foreign private issuer status
As a "foreign private issuer," as such term is defined in Rule 405 under the U.S. Securities Act, we are permitted, under a multijurisdictional disclosure system adopted by the securities regulatory authorities in Canada and the U.S., to prepare our disclosure documents filed under the U.S. Securities Exchange Act of 1934, as amended (U.S. Exchange Act), in accordance with Canadian disclosure requirements. Under the U.S. Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the U.S. Securities and Exchange Commission (SEC), although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws.

In relying on NYSE rules that permit a foreign private issuer to follow the corporate governance practices of its home country, CAE is permitted to follow certain Canadian corporate governance practices instead of those otherwise required under the corporate governance standards for U.S. domestic issuers, except to the extent that such laws would be contrary to U.S. securities laws and provided that we disclose the significant differences between our corporate governance practices and the applicable corporate governance standards applicable to U.S. domestic issuers.

Further, as a foreign private issuer, we are exempt from a number of requirements under U.S. securities laws that apply to public companies that are not foreign private issuers. In particular, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. CAE is exempt from the provisions of Regulation FD, which prohibits the selective disclosure of material non-public information to, among others, broker-dealers and holders of a company's securities under circumstances in which it is reasonably foreseeable that the holder will trade in our securities on the basis of the information.

Even though Canadian securities law requirements regarding the disclosure of material and non-public information by public companies are similar to U.S. securities law requirements and we voluntarily comply with Regulation FD, these exemptions and leniencies will reduce the frequency and scope of information and protections to which purchasers are entitled as investors. Shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, we have four months after the end of each fiscal year to file our Annual Information Form with the SEC and are not required under the U.S. Exchange Act to file quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the U.S. Exchange Act would do.

Enforceability of civil liabilities against our directors and officers
CAE is governed by the *Canada Business Corporations Act* with our principal place of business in Canada. Most of our directors and officers reside in Canada or elsewhere outside the U.S. The majority of our assets and all or a substantial portion of the assets of these directors and officers may be located outside the U.S. Consequently, it may be difficult for investors who reside in the U.S. to effect service of process in the U.S. upon CAE or upon such persons who are not residents of the U.S., or to realize upon judgments of courts of the U.S. predicated upon the civil liability provisions of the U.S. federal securities laws. Similarly, some of CAE's directors and officers may be residents of countries other than Canada and all or a substantial portion of the assets of such persons may be located outside Canada. As a result, it may be difficult for Canadian investors to initiate a lawsuit within Canada against these persons.

10.7 Environmental, social & governance risks

Extreme climate events and the impact of natural or other disasters (including effects of climate change)
Extreme climate events or natural or other disasters, such as earthquakes, fires, floods and similar events (including effects of climate change) could disrupt our internal operations, damage our infrastructure or properties, endanger our employee's health and safety, impact the availability and cost of materials, resources and services, decrease air travel, amend the regulatory framework, increase insurance and other operating costs and have a material adverse effect on our operating results, financial position or liquidity as well as our business model. In addition, we are exposed to liabilities that are unique to the products and services that we provide, and therefore we cannot be certain that insurance coverage will be sufficient or available to cover all significant risk exposures.

More acute scrutiny and perception gaps regarding ESG matters
Evolving stakeholder expectations with respect to ESG matters may pose risks to CAE's competitive advantage, brand and reputation, ability to attract and retain talent, financial outlook, cost of capital, global supply chain and business continuity, which may impact our ability to achieve long-term business objectives. Increased public awareness and growing concerns about climate change (including the "anti-flying" movement and tendencies towards sustainable travel initiatives) and the global transition to a low carbon economy result in a broad range of impacts, including potential risks for CAE and its business partners' market outlook.

CAE may fail to adequately monitor the emerging risks in a rapidly changing ecosystem and to sufficiently address evolving expectations related to corporate culture, business conduct and ethics, responsible management of its supply chain, transparency, respect for human rights, working and safety conditions as well as diversity and inclusion, among other factors, which could affect corporate profitability and reputation.

Additional ESG-related regulations, changes in reporting frameworks and guidance, emergence of ''greenwashing'' legal actions by activist groups, increasing regulatory expectations as well as continuing reforms pertaining to mandatory disclosure create a new and evolving set of compliance risks. Gaps in perception and acceptability of how ESG factors in shareholder value also call for increased vigilance when it comes to ESG reporting and communication.

More acute generalized scrutiny also adds pressure to secure reliable and precise ESG data with clear accountability across the organization and to deploy robust data collection processes with effective controls that will allow external verification in the near future. A lack of precise, auditable and complete data accurately reflecting the progress on CAE's multi-year roadmap could hinder our credibility as an ESG leader in the industry.

As CAE's ESG performance is assessed by proxy advisory agencies, we could also face governance issues if we do not meet their expectations.

10.8 Reputational risks

Reputational risk
Reputational risk may arise under many situations including, among other things:
- Quality or performance issues of our products or services and new technologies we launch;
- Inability to penetrate new markets or to meet expectations or demand for newly developed products and technologies;
- Failure to maintain ethically and socially responsible operations;
- Relationships or dealings with customers and other counterparties that could expose CAE to ethics, compliance and reputational risks;
- Negative perceptions regarding the defence and security industry and related product and service offerings;
- Injuries or death arising from health and safety incidents during the operation process or training activities; and
- Alleged or proven non-compliance with laws or regulations by our employees, agents, subcontractors, suppliers and/or business partners.

Any negative publicity about CAE or damage to our image and reputation could have a negative adverse impact on customers' and other key stakeholders' perception and trust, may prevent CAE to recruit necessary talent and may cause the cancellation of current work or negatively influence our ability to obtain contracts. Many of CAE's other risks intersect with reputational risk and may therefore amplify this risk.

10.9 Technological risks

Information technology
CAE's operations depend on information technology infrastructure and applications, hosted internally or outsourced. In expanding product portfolio to software solutions and increasing our focus on digital strategy and AI, this dependence on information technology infrastructure and systems has only grown in importance. Our business also requires the appropriate and secure utilization of sensitive and confidential information belonging to third parties such as aircraft OEMs, national defence forces and customers. Any material interruption in technology systems could have a material adverse effect on our business, financial condition, prospects and/or results of operations. Similarly, any material technological issue with our software solutions or with data feeds, infrastructure or systems provided by third parties, may lead to financial loss and/or impairment in our customer's operations.

System modernization, updates and system replacements can temporarily disrupt our business activities and result in productivity disruptions. Conversely, failure to maintain, upgrade, replace or properly implement such new information technology systems could result in increased risk of a cybersecurity incident and have an adverse effect on operational efficiency, revenue or reputation. In addition, the digital transformation and the adoption of emerging technologies, such as AI and machine learning, require continued focus and investment to manage those risks effectively.

Reliance on third-party providers for information technology systems and infrastructure management
Operations for some information technology systems maintenance and support services and infrastructure management functions are outsourced to third-party service providers. If these service providers are disrupted or do not perform effectively, it may have a material adverse impact on CAE's operations and customers.

Third-party providers' services are often subscription-based subjecting us to various subscription pricing models based on market trends. Strategic renegotiation of such agreements can be lengthy, and it is important to manage and review performance of our third-party providers on a continuous basis.

11. RELATED PARTY TRANSACTIONS

Outstanding balances with our equity accounted investees are as follows:

(amounts in millions)		**2024**		2023
Accounts receivable	**$**	**58.8**	$	59.5
Contract assets		**34.2**		25.6
Other non-current assets		**22.9**		17.1
Accounts payable and accrued liabilities		**4.7**		5.7
Contract liabilities		**64.9**		58.0

Transactions with our equity accounted investees are as follows:

(amounts in millions)		**2024**		2023
Revenue	**$**	**258.7**	$	223.0
Purchases		**6.0**		4.6
Other income		**0.6**		1.2

Compensation of key management personnel

Key management personnel have the ability and responsibility to make major operational, financial and strategic decisions for CAE and include members of the Board and certain executive officers. The compensation expense of key management for employee services recognized in income are as follows:

(amounts in millions)		**2024**		2023
Salaries, termination and other short-term employee benefits	**$**	**8.7**	$	7.6
Post-employment benefits – defined benefit plans		**3.8**		4.4
Share-based payments expense		**4.4**		1.7
	$	**16.9**	$	13.7

For the year ended March 31, 2024, the compensation earned by non-employee Directors amounted to $3.3 million (2023 – $2.9 million), which include the grant date fair value of deferred share units (DSUs) as well as cash payments.

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

12.1 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), 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) and the cloud computing transition adjustment (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2022). 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 12.3 "*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 12.3 *"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), 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) and the cloud computing transition adjustment (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2022). 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 12.3 "*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 12.3 "*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), 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) and the cloud computing transition adjustment (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2022). 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 12.3 "*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), 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) and the cloud computing transition adjustment (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2022). 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 12.3 "*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;
– 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.

12.2 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.

12.3 Non-IFRS measure reconciliations

Reconciliation of adjusted segment operating income

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Three months ended March 31	**2024**	2023	**2024**	2023	**2024**	2023
Operating income (loss)	**$ 147.0**	$ 149.3	**$ (680.0)**	$ 29.0	**$ (533.0)**	$ 178.3
Restructuring, integration and acquisition costs	**44.4**	13.6	**10.6**	1.5	**55.0**	15.1
Impairments and other gains and losses arising from significant strategic transactions or specific events:						
Impairment of goodwill	**—**	—	**568.0**	—	**568.0**	—
Impairment of technology and other non-financial assets	**—**	—	**35.7**	—	**35.7**	—
Adjusted segment operating income (loss)	**$ 191.4**	$ 162.9	**$ (65.7)**	$ 30.5	**$ 125.7**	$ 193.4

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Years ended March 31	**2024**	2023	**2024**	2023	**2024**	2023
Operating income (loss)	**$ 442.0**	$ 430.3	**$ (627.4)**	$ 35.7	**$ (185.4)**	$ 466.0
Restructuring, integration and acquisition costs	**106.9**	52.0	**24.5**	10.6	**131.4**	62.6
Impairments and other gains and losses arising from significant strategic transactions or specific events:						
Impairment of goodwill	**—**	—	**568.0**	—	**568.0**	—
Impairment of technology and other non-financial assets	**—**	—	**35.7**	—	**35.7**	—
Impairment reversal of non-financial assets following their repurposing and optimization	**—**	3.0	**—**	6.8	**—**	9.8
Adjusted segment operating income	**$ 548.9**	$ 485.3	**$ 0.8**	$ 53.1	**$ 549.7**	$ 538.4

Reconciliation of adjusted net income and adjusted EPS

	Three months ended March 31		**Years ended March 31**	
(amounts in millions, except per share amounts)	**2024**	2023	**2024**	2023
Net (loss) income attributable to equity holders of the Company	**$ (484.2)**	$ 98.4	**$ (304.0)**	$ 222.7
Net income from discontinued operations	**(20.5)**	(4.8)	**(21.3)**	(2.1)
Restructuring, integration and acquisition costs, after tax	**42.3**	12.5	**101.0**	48.2
Impairments and other gains and losses arising from significant strategic transactions or specific events:				
Impairment of goodwill, after tax	**473.7**	—	**473.7**	—
Impairment of technology and other non-financial assets, after tax	**27.4**	—	**27.4**	—
Impairment reversal of non-financial assets following their repurposing and optimization, after tax	**—**	—	**—**	7.1
Adjusted net income	**$ 38.7**	$ 106.1	**$ 276.8**	$ 275.9
Average number of shares outstanding (diluted)	**318.3**	318.7	**318.2**	318.4
Adjusted EPS	**$ 0.12**	$ 0.33	**$ 0.87**	$ 0.87

Calculation of adjusted effective tax rate

	Three months ended March 31		Years ended March 31	
(amounts in millions, except effective tax rates)	**2024**	2023	**2024**	2023
(Loss) earnings before income taxes	**$ (585.4)**	$ 127.9	**$ (390.4)**	$ 292.4
Restructuring, integration and acquisition costs	**55.0**	15.1	**131.4**	62.6
Impairments and other gains and losses arising from significant strategic transactions or specific events:				
Impairment of goodwill	**568.0**	—	**568.0**	—
Impairment of technology and other non-financial assets	**35.7**	—	**35.7**	—
Impairment reversal of non-financial assets following their repurposing and optimization	**—**	—	**—**	9.8
Adjusted earnings before income taxes	**$ 73.3**	$ 143.0	**$ 344.7**	$ 364.8
Income tax (recovery) expense	**$ (80.6)**	$ 30.8	**$ (72.8)**	$ 62.6
Tax impact on restructuring, integration and acquisition costs	**12.7**	2.6	**30.4**	14.4
Tax impact on impairments and other gains and losses arising from significant strategic transactions or specific events:				
Tax impact on impairment of goodwill	**94.3**	—	**94.3**	—
Tax impact on impairment of technology and other non-financial assets	**8.3**	—	**8.3**	—
Tax impact on impairment reversal of non-financial assets following their repurposing and optimization	**—**	—	**—**	2.7
Adjusted income tax expense	**$ 34.7**	$ 33.4	**$ 60.2**	$ 79.7
Effective tax rate	**14 %**	24 %	**19 %**	21 %
Adjusted effective tax rate	**47 %**	23 %	**17 %**	22 %

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

	Last twelve months ended March 31	
(amounts in millions, except net debt-to-EBITDA ratios)	**2024**	2023
Operating (loss) income	**$ (185.4)**	$ 466.0
Depreciation and amortization	**368.7**	330.2
EBITDA	**$ 183.3**	$ 796.2
Restructuring, integration and acquisition costs	**131.4**	62.6
Impairments and other gains and losses arising from significant strategic transactions or specific events:		
Impairment of goodwill	**568.0**	—
Impairment of technology and other non-financial assets	**35.7**	—
Impairment reversal of non-financial assets following their repurposing and optimization	**—**	9.8
Adjusted EBITDA	**$ 918.4**	$ 868.6
Net debt	**$ 2,914.2**	$ 3,032.5
Net debt-to-EBITDA	**15.90**	3.81
Net debt-to-adjusted EBITDA	**3.17**	3.49

13. CHANGES IN ACCOUNTING POLICIES

13.1 New and amended standards adopted

Amendments to IAS 12 - International Tax Reform — Pillar Two Model Rules
In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amends IAS 12 - *Income taxes* to introduce a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. This amendment to IAS 12 was adopted in the first quarter of fiscal 2024 and the exception has been applied retrospectively but no adjustments to previously reported figures were required.

Certain other amendments to accounting standards were applied for the first time on April 1, 2023, but did not have a significant impact on our consolidated financial statements.

13.2 New and amended standards not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for March 31, 2024 reporting periods and have not been early adopted. These amendments are not expected to have a material impact on the consolidated financial statements in the current or future reporting periods and on foreseeable future transactions.

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 IAS 1 will be effective for the fiscal period beginning on April 1, 2024.

13.3 Use of judgements, estimates and assumptions

The preparation of the consolidated 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 financial statements, as well as the reported amounts of revenues and expenses for the period reported. It also requires management to exercise its judgement in applying accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. Actual results could differ from those estimates. Changes will be reported in the period in which they are identified.

Business combinations
Business combinations are accounted for in accordance with the acquisition method as of the date control is transferred. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition, which may be estimated using an income, market or cost valuation method. Depending on the complexity of determining these valuations, we either consult with independent experts or develop the fair value internally by using appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

The judgments made in determining the estimated fair value assigned to the net identifiable assets acquired, as well as the estimated useful life of non-financial assets, could impact the net income of subsequent periods through depreciation and amortization, and in certain instances through impairment charges. We believe that the estimated fair values assigned to the net identifiable assets acquired are based on reasonable assumptions that a marketplace participant would use. While we use our best estimates and assumptions to accurately value the net identifiable assets acquired at the acquisition date, estimates are inherently uncertain and subject to refinement.

During the measurement period, for up to 12 months following the acquisition, we recorded adjustments to the initial estimate of the net identifiable assets acquired based on new information obtained that would have existed as of the date of the acquisition. Any adjustment that arises from information obtained that did not exist as of the date of the acquisition will be recorded in the period the adjustment arises.

Development costs
Development costs are recognized as intangible assets and are amortized over their useful lives when they meet the criteria for capitalization. Forecasted revenue and profitability for the relevant projects are used to assess compliance with the capitalization criteria and to assess the recoverable amount of the assets.

Impairment of non-financial assets
Our impairment test for goodwill is based on estimates of the recoverable amount of the CGU or group of CGUs to which goodwill has been allocated and uses valuation models such as the discounted cash flows model (level 3). Management applies significant judgement in developing the cash flow model, which includes the use of key assumptions including expected revenue growth, margin projections and the discount rates. Management also applies judgement when reflecting the impact surrounding current market view of risk and uncertainty and macroeconomic conditions. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Likewise, whenever property, plant and equipment and intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Revenue recognition
Transaction price allocated to performance obligations
In allocating the transaction price for contracts with multiple performance obligations, we estimate the stand-alone selling price using the expected cost plus a margin approach if they are not directly observable.

Determining the measure of progress of performance obligations satisfied over time
For contracts where revenue is recognized over time using the cost input method, we apply judgement in estimating the total costs to complete the contract.

The determination of the total costs to complete a contract is based on estimates that can be affected by several factors, including program management and execution difficulties, technological challenges, cost of materials, supply chain disruptions, inflationary pressures, availability of labour and problems with suppliers or subcontractors.

Management conducts monthly reviews of our estimated costs to complete as well as our revenue and margins recognized, on a contract-by-contract basis. The impact of any revisions in cost and revenue estimates is reflected in the period in which the need for a revision becomes known.

Defined benefit pension plans
The cost of defined benefit pension plans and the present value of the employee benefit obligations are determined using actuarial valuations. Actuarial valuations involve, amongst others, making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date. Any changes in these assumptions will impact the carrying amount of the employee benefit obligations and the cost of the defined benefit pension plans. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Individual discount rates are derived from the yield curve and are used to determine the service cost and interest cost of the Canadian defined benefit pension plans at the beginning of the year. The present value of the employee benefit obligations for these Canadian plans is determined based on the individual discount rates derived from the yield curve at the end of the year.
Other key assumptions for pension obligations are based, in part, on current market conditions. See Note 20 of our consolidated financial statements for further details regarding assumptions used.

Income taxes
We are subject to income tax laws in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. The determination of tax liabilities and assets involves uncertainties in the interpretation of complex tax regulations. We provide for potential tax liabilities based on the weighted average probability of the possible outcomes. Differences between actual results and those estimates could influence the income tax liabilities and deferred tax liabilities in the period in which such determinations are made.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against the losses that can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The recorded amount of total deferred tax assets could be altered if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of our ability to utilize future tax benefits.

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 Executive Vice President, Finance and 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 March 31, 2024, management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Executive Vice President, Finance and 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 Executive Vice President, Finance and 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.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2024 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of March 31, 2024.

There were no changes in the Company's internal control over financial reporting that occurred during the fourth quarter and fiscal year 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. During fiscal 2024, our U.S. Defense and Security operations completed the initial phase of implementation of a new ERP system. Management employed appropriate procedures to ensure internal controls over financial reporting were in place during and after the conversion.

15. OVERSIGHT ROLE OF AUDIT COMMITTEE AND BOARD OF DIRECTORS

The Audit Committee reviews our annual MD&A and related consolidated financial statements with management and the external auditor and recommends them to the Board for their approval. Management and our internal auditor also provide the Audit Committee with regular reports assessing our internal controls and procedures for financial reporting. The external auditor reports regularly to management on any weaknesses it finds in our internal control, and these reports are reviewed by the Audit Committee.

16. ADDITIONAL INFORMATION

You will find additional information about CAE, including our most recent AIF, on our website at www.cae.com, or on SEDAR+ at www.sedarplus.ca or on EDGAR at www.sec.gov.

17. SELECTED FINANCIAL INFORMATION

The following table provides selected quarterly financial information for the past three fiscal years.

(amounts in millions, except per share amounts)		Q1	Q2	Q3	Q4	Total
Fiscal 2024						
Revenue	**$**	**1,012.0**	**1,050.0**	**1,094.5**	**1,126.3**	**4,282.8**
Net income (loss)	**$**	**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
Fiscal 2022						
Revenue	$	721.1	780.0	816.6	902.2	3,219.9
Net income	$	47.3	17.2	28.4	57.1	150.0
Equity holders of the Company						
Continuing operations	$	43.5	15.7	33.2	47.8	140.2
Discontinued operations	$	2.9	(1.7)	(7.0)	7.3	1.5
Non-controlling interests	$	0.9	3.2	2.2	2.0	8.3
Basic and diluted EPS attributable to equity holders of the Company	$	0.16	0.04	0.08	0.17	0.45
Continuing operations	$	0.15	0.05	0.10	0.15	0.45
Discontinued operations	$	0.01	(0.01)	(0.02)	0.02	—
Adjusted EPS	$	0.18	0.17	0.20	0.27	0.82
Average number of shares outstanding (basic)		293.6	316.5	316.9	317.0	311.0
Average number of shares outstanding (diluted)		295.8	318.7	318.7	318.5	312.9

The following table provides selected annual financial information for the past three fiscal years.

(amounts in millions)		**2024**		**2023**		**2022**
Financial position:						
Total assets	**$**	**9,834.1**	$	10,436.5	$	9,578.8
Total non-current financial liabilities[1]		**2,855.4**		3,179.6		2,959.9
Total net debt		**2,914.2**		3,032.5		2,700.1

(1) Includes long-term debt, long-term derivative liabilities and other long-term liabilities meeting the definition of a financial liability.