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, 2025** 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: **320,265,108 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, 2025, 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 Interim Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Under the supervision of the President and Chief Executive Officer and Interim 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, 2025, the end of the period covered by this Annual Report on Form 40-F. The President and Chief Executive Officer and the Interim 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, 2025.

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, 2025, 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, 2025 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 Interim 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, 2025.

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 five 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, Patrick Decostre, Ian L. Edwards, Marianne Harrison and Louis Têtu.

CAE's board of directors has determined that, as of the date hereof, it has one audit committee financial expert serving on its audit committee. The board of directors has determined that Ms. Marianne Harrison is an audit committee financial expert within the meaning of General Instruction B(8)(b) of Form 40-F and is 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.

CAE has adopted an insider trading policy that is reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to CAE. CAE’s Insider Trading Policy is available at CAE’s website at https://www.cae.com/sustainability/responsible-business-conduct.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under section 10.3 “Approval of Services” on page 31 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, 2025 and March 31, 2024 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 page 31 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 20, 2025 **CAE INC.**

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

EXHIBIT INDEX

Exhibit No.	Description
3.1	General By-Law of CAE Inc.
10.1	Nomination Right Agreement, dated February 13, 2025 (translation)
10.2	Letter Agreement, dated February 13, 2025
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 Interim 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 Interim 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, 2025
99.2	Audited annual financial statements for the fiscal year ended March 31, 2025
99.3	Management's Discussion and Analysis for the fiscal year ended March 31, 2025
99.4	Notice and Management Proxy Circular dated June 12, 2025 (incorporated by reference to CAE's Form 6-K (commission file no. 1-31402) furnished to the Commission on June 20, 2025

† 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.

Exhibits 99.1, 99.2 and 99.3 of this Annual Report on Form 40-F are incorporated by reference into the Registration Statements on Form S-8 of the Registrant filed with the Securities and Exchange Commission on November 3, 2023 (Registration No. 333-275323), on October 7, 2022 (Registration No. 333-267775), on September 20, 2016 (Registration No. 333-213708), on November 14, 2008 (Registration No. 333-155366) and on July 26, 2002 (Registration No. 333-97185), (together, the "**Registration Statements**"). Exhibit 23.1 is incorporated by reference as an exhibit to the Registration Statements.

CAE INC.
(the "**Corporation**")

GENERAL BY-LAW

A by-law relating generally to the transaction of the business and affairs of the Corporation.

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BE IT ENACTED as a by-law of the Corporation as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Definitions.

(1) In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the *Canada Business Corporations Act*, and any statute that may be substituted therefor, as from time to time amended.

"appoint" includes "**elect"** and vice versa.

"articles" means the articles of the Corporation as from time to time amended or restated.

"board" means the board of directors of the Corporation.

"by-laws" means this by-law and all other by-laws of the Corporation hereafter from time to time in force and effect.

"Canadian" means an individual who is (a) a Canadian citizen, or (b) a permanent resident within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act* (Canada).

"cheque" includes a draft.

"Corporation" means the corporation named CAE Inc.

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders.

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act* (Canada) as from time to time amended.

"recorded address" means in the case of a shareholder, the person's address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director (subject to the provisions of Section 12.1), officer, auditor or member of a committee of the board, their latest address as recorded in the records of the Corporation.

"resident Canadian" has the meaning ascribed to it in the Act.

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by or pursuant to Section 2.4 or by a resolution passed pursuant thereto.

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.

(2) Save as aforesaid, words and expressions defined in the Act have the same meanings when used herein. Words importing the singular number include the plural and vice versa; and words importing gender include the masculine, feminine and neuter genders; and words importing a person include an individual, partnership, association, body corporate, unincorporated organization and personal representative.

ARTICLE 2
BUSINESS OF THE CORPORATION

Section 2.1 Registered Office.

The registered office of the Corporation shall be in the province within Canada from time to time specified in the articles at the place therein as the board may from time to time determine.

Section 2.2 Corporate Seal.

Until changed by the board, the corporate seal of the Corporation shall be in the form impressed hereon.

Section 2.3 Financial Year.

Until changed by the board, the financial year of the Corporation shall end on the last day of March in each year.

Section 2.4 Execution of Instruments.

Deeds, transfers, assignments, contracts, obligations, certificates, and other instruments may be signed, either manually or by electronic means in accordance with the Act, on behalf of the Corporation by any two officers of the Corporation. The board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument requiring the same.

Section 2.5 Banking Arrangements.

The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations or persons as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

Section 2.6 Voting Rights In Other Bodies Corporate.

The person or persons authorized under Section 2.4 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the

voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the said person or persons executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

ARTICLE 3
BORROWING AND SECURITIES

Section 3.1 Borrowing Power.

(1) Without limiting the borrowing powers of the Corporation as set forth in the Act, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

(a) Borrow money upon the credit of the Corporation;

(b) Issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;

(c) Give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and

(d) Charge, mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

(2) Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

ARTICLE 4
DIRECTORS

Section 4.1 Number of Directors and Quorum.

Until changed in accordance with the Act, the board shall consist of not fewer than the minimum number and not more than the maximum number of directors provided for in the articles. A majority of the directors shall be Canadians. In addition, subject to the provisions of the Act, at least twenty-five per cent (25%) of the directors must be resident Canadians, provided however that if the board consists of less than four (4) directors, at least one (1) director must be a resident Canadian.

Subject to the provisions of the Act, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the directors, and at any meeting of a committee of the board shall consist of a majority of the directors forming the committee. The board shall not transact business at a meeting, other than filling a vacancy in the board, unless at least twenty-five percent (25%) of the directors present are resident Canadians, or, if the board consists of less than four (4) directors, at least one (1) of the directors present is a resident Canadian, except where:

(a) a resident Canadian director who is unable to be present approves in writing, or by telephonic, electronic or other communication facility, the business transacted at the meeting; and

(b) the required number of resident Canadian directors would have been present had that director been present at the meeting.

Section 4.2 Election and Term.

The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors otherwise determine. The election shall be by ordinary resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

Section 4.3 Removal of Directors.

Subject to the provisions of the Act, the shareholders may by ordinary resolution passed at a special meeting of shareholders called for such purpose remove any director from office and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the board.

Section 4.4 Meeting By Telephonic, Electronic or Other Communication Facility.

If all the directors of the Corporation consent, a director may participate in a meeting of the board or of a committee of the board by such telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate adequately with each other, and a director participating in such a meeting by such means is deemed to be present at the meeting. If all the directors of the Corporation consent, meetings of directors may be held entirely by means of a telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate adequately with each other. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

Section 4.5 Calling of Meetings.

Meetings of the board shall be held from time to time at such time and at such place as the board, the chairperson of the board, the president & CEO or any two directors may determine.

Section 4.6 Notice of Meeting.

Notice of the time and place of each meeting of the board shall be given in the manner provided in Article 12 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting, except where the Act requires such purpose or business to be specified.

Section 4.7 First Meeting of New Board.

Provided a quorum of directors is present, each newly elected board may hold its first meeting, without notice, immediately following the meeting of shareholders at which such board is elected.

Section 4.8 Adjourned Meeting.

Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

Section 4.9 Regular Meetings.

The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith, after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

Section 4.10 Chairperson.

The board, shall, from time to time, elect from among its members a chairperson of the board who shall, if present, preside as chairperson at all meetings of the board and of shareholders. The chairperson of the board shall not be an officer of the Corporation unless specifically so designated by the board.

Section 4.11 Presiding Officers.

The chairperson of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairperson of the board or the president & CEO. If no such officer is present, the directors present shall choose one of their number to be chairperson. If the secretary of the Corporation is absent, the chairperson shall appoint some person, who need not be a director, to act as secretary of the meeting.

Section 4.12 Votes to Govern.

At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chairperson of the meeting shall not be entitled to a second or casting vote.

Section 4.13 Remuneration and Expenses.

The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and

other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

ARTICLE 5
COMMITTEES

Section 5.1 Committees of the Board.

The board may appoint one or more committees of the board and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise.

Section 5.2 Transaction of Business.

Subject to the provisions of Section 5.1 above, powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any such committee may be held at any place in or outside of Canada. In the case of a tie vote, the chairperson of a committee shall not have a second or casting vote.

Section 5.3 Advisory Bodies.

The board may from time to time appoint such advisory bodies as it may deem advisable.

Section 5.4 Procedure.

Unless otherwise determined by the board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chairperson and to regulate its procedure.

ARTICLE 6
OFFICERS

Section 6.1 Appointment.

The board may from time to time appoint a president & CEO, divisional president(s), one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer, a controller and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. An officer may be a director and one person may hold more than one office.

Section 6.2 President & CEO.

If appointed, the president shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and

the president & CEO shall have such other powers and duties as the board may specify. The Corporation may also have divisional presidents, who shall have such powers and duties as the board or the president & CEO may specify.

Section 6.3 Vice-President

A vice-president shall have such powers and duties as the board or the president & CEO may specify.

Section 6.4 Secretary.

The secretary shall enter or cause to be entered minutes of all proceedings of all meetings of the board, shareholders and committees of the board in records kept for that purpose; the secretary shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; the secretary shall be the custodian of the stamp used for affixing the seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and the secretary shall have such other powers and duties as the board or the president & CEO may specify.

Section 6.5 Treasurer.

The treasurer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; the treasurer shall render or cause to be rendered to the board whenever required an account of all transactions and of the financial position of the Corporation; and the treasurer shall have such other powers and duties as the board, or the president & CEO may specify.

Section 6.6 Powers and Duties of Other Officers.

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the president & CEO may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the president & CEO otherwise directs.

Section 6.7 Variation of Powers and Duties.

The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

Section 6.8 Term of Office.

The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until the officer's successor is appointed, or until the officer's earlier resignation.

Section 6.9 Agents and Attorneys.

Subject to the provisions of the Act, the Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation

in or outside Canada with such powers of management, administration or otherwise (including the power to sub-delegate) as may be thought fit.

ARTICLE 7
PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

Section 7.1 Limitation of Liability.

Every director and officer of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, receipts, neglects or defaults of any other director, officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the monies of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the monies, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on their part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of their office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

Section 7.2 Indemnity.

(1) Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer or an individual acting in a similar capacity of another entity, and their heirs and personal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal, administrative, investigative or other proceeding to which the individual is made a party by reason of being or having been a director or officer of the Corporation or at the Corporation's request as director or officer, or an individual acting in similar capacity, of such other entity, if:

(a) they acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which they acted as director or officer, or in a similar capacity, at the Corporation's request; and

(b) in the case of a criminal, administrative, investigative or other proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful.

The Corporation shall advance moneys to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in this subsection (1). The individual shall repay the moneys to the Corporation if the individual does not fulfill the relevant conditions specified in the Act.

(2) The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

ARTICLE 8
SHARES

Section 8.1 Allotment.

Subject to the Act and the articles, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

Section 8.2 Transfer Agents and Registrars.

The board may from time to time appoint one or more agents to maintain, in respect of each class of securities of the Corporation issued in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to their functions; one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

Section 8.3 Non-Recognition of Trusts.

Subject to the provisions of the Act, the Corporation may treat the person in whose name a share is registered in the securities register as the absolute owner having full capacity and authority to exercise all rights of ownership, irrespective of any indication to the contrary through knowledge, notice or description in the Corporation's records or on the share certificate.

Section 8.4 Share Certificates.

Every holder of one or more shares of the Corporation shall be entitled, at their option, to a share certificate, or to a non-transferable written certificate of acknowledgement of the right to obtain a share certificate, stating the number and class or series of shares held by them as shown on the securities register. Such certificates and certificates of acknowledgment of a shareholder's right to a share certificate respectively, shall be in such form as the board may from time to time approve. Any share certificate shall be signed in accordance with the Act and need not be under the corporate seal.

Section 8.5 Replacement of Share Certificates.

The board or any officer or agent designated by the board may in their discretion direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed

or wrongfully taken, on payment of such reasonable fee, not to exceed the amount, if any, prescribed by the Act, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

Section 8.6 Joint Holders.

If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

Section 8.7 Deceased Shareholders.

In the event of the death of a holder or of one of the joint holders of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

ARTICLE 9
DIVIDENDS AND RIGHTS

Section 9.1 Dividends.

Subject to the provisions of the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

Section 9.2 Dividend Payments.

A dividend payable in money shall be paid by cheque, or such other manner prescribed by the board, drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and sent to such registered holder at their recorded address, unless such holder otherwise directs. In the case of joint holders, the cheque or other manner of payment shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and sent to them at their recorded address. The sending of such payment as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

Section 9.3 Non-Receipt of Payment.

In the event of non-receipt of any dividend payment by the person to whom it is sent as aforesaid, the Corporation shall issue re-payment of the dividend to such person for a like amount on such terms as to indemnity, reimbursement of expenses, and evidence of non-

receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

Section 9.4 Record Date for Dividends and Rights.

The board may fix in advance a date, preceding by not more than 60 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided for by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

Section 9.5 Unclaimed Dividends.

Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

ARTICLE 10
MEETINGS OF SHAREHOLDERS

Section 10.1 Annual Meetings.

The annual meeting of shareholders shall be held at such time in each year and at such place as the board, the chairperson of the board or the president & CEO may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and for the transaction of such other business as may properly be brought before the meeting.

Section 10.2 Special Meetings.

The board, the chairperson of the board or the president & CEO shall have power to call a special meeting of shareholders at any time.

Section 10.3 Notice of Meetings.

A notice of meeting of shareholders or, to the extent required under the Act any adjournment of postponement thereof, shall be given as specified by the Act and other applicable law, and may be given in themanner provided in Article 12.

Section 10.4 Chairperson, Secretary and Scrutineers.

The chairperson of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: the chairperson of the board, the president & CEO or another officer of the Corporation who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be

chairperson. If the secretary of the Corporation is absent, the chairperson shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairperson with the consent of the meeting.

Section 10.5 Persons Entitled to be Present.

The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

Section 10.6 Quorum.

Subject to the Act, a quorum for the transaction of business at any meeting of shareholders shall be two (2) persons present and holding or representing by proxy not less than twenty-five percent (25%) of the total number of issued shares of the Corporation having voting rights at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

Section 10.7 Right to Vote.

Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation has prepared a list of shareholders entitled to notice every person who is named in such list shall be entitled to vote the shares shown thereon opposite their name at the meeting to which such list relates. At any meeting of shareholders for which the Corporation has not prepared a list of shareholders entitled to notice every person shall be entitled to vote at the meeting who at the time of the commencement of the meeting is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

Section 10.8 Proxyholders and Representatives.

(1) Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act as their representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be executed by the shareholder or by the shareholder's attorney authorized in writing and shall conform with the requirements of the Act.

(2) Alternatively, every such shareholder which is a body corporate or association may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the

Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairperson of the meeting. Any such representative need not be a shareholder.

Section 10.9 Time for Deposit of Proxies.

The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or if, no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chairperson of the meeting or any adjournment thereof prior to the time of voting. To the extent permitted by the Act, the lodging and tabulation of proxies may be performed by telephone or other electronic forms of communication.

Section 10.10 Votes to Govern.

At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairperson of the meeting shall not be entitled to a second or casting vote.

Section 10.11 Show of Hands.

Subject to the provisions of the Act, any question at a meeting of shareholders may be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried, and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question. For greater certainty, if a meeting is held entirely by telephonic, electronic or other communication facility, voting at that meeting shall be by online ballot. If a meeting is held both in person and by telephonic, electronic or other communication facility, the votes of shareholders participating by telephonic, electronic or other communication facility will be counted as if they were present in person at the meeting.

Section 10.12 Ballots.

On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairperson or any person who is present and entitled to vote, whether as shareholder or proxyholder, on such question at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairperson shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person

present shall be entitled, in respect of the shares which they are entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

Section 10.13 Meetings by Telephonic, Electronic or Other Communication Facility.

In the event of *force majeure* stemming from public health restrictions, governmental or regulatory prohibitions, or comparable circumstances that would make meeting in person impossible or deeply impractical, meetings of shareholders may be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other. Any person entitled to attend a meeting of shareholders may participate in such meeting by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other if the Corporation makes available such a communication facility and any person participating in a meeting by such means is deemed to be present at the meeting. Any vote at such a meeting may be held entirely by means of a telephonic, electronic or other communication facility.

Section 10.14 Nominations of Directors.

1. Subject only to the Act and the articles, only individuals who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors. Such nominations may be made in the following manner:
    a. by or at the direction of the board, including pursuant to a notice of meeting;
    b. by or at the direction or request of one or more shareholders of the Corporation pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of meeting of the shareholders of the Corporation made in accordance with the provisions of the Act; or
    c. by any person (a "**Nominating Shareholder**"): (A) who, at the close of business on the date of the giving of the notice provided below in this section 10.14 and on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth below in this section 10.14.
2. In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Corporate Secretary of the Corporation at the principal executive offices of the Corporation.
3. To be timely, a Nominating Shareholder's notice to the Corporate Secretary of the Corporation must be made:
    a. in the case of an annual meeting of shareholders (and including an annual and special meeting), not less than 30 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting

of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement (the "**Notice Date**") of the date of the annual meeting was made, notice by the Nominating Shareholder must be made not later than the close of business on the tenth (10th) day following the Notice Date; and

b. in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

In the event of an adjournment or postponement of an annual meeting or special meeting of shareholders or any announcement thereof, a new time period shall commence for the giving of a timely notice under this paragraph 3 of section 10.14.

4. To be in proper written form, a Nominating Shareholders' notice to the Corporate Secretary of the Corporation must set forth:

a. as to each individual whom the Nominating Shareholder proposes to nominate for election as a director (each a "**Proposed Nominee**"): (A) the name, age, business address and residential address of the Proposed Nominee; (B) a statement indicating whether the Proposed Nominee is a "resident Canadian" as defined in the Act; (C) the principal occupation, business or employment of the Proposed Nominee; (D) the class or series and number of shares in the capital of the Corporation which are controlled or directed, directly or indirectly, or which are owned beneficially, by the Proposed Nominee as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (E) any other information relating to the Proposed Nominee that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and

b. as to the Nominating Shareholder giving the notice: (A) the name, business address and residential address of such Nominating Shareholder; (B) the class or series and number of shares in the capital of the Corporation which are controlled, directed or owned, beneficially or of record, by the Nominating Shareholder, or by any other person with whom the Nominating Shareholder is acting jointly or in concert with respect to the Corporation or its securities, as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (C) to the extent not already disclosed in the notice, any proxy, agreement, commitment, arrangement, understanding or relationship pursuant to which such Nominating Shareholder, or any affiliate or associate (within the meaning of Applicable Securities Laws) of such Nominating Shareholder, has a right to vote, or to direct the voting of, any shares in the capital of the Corporation; and (D) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws.

5. In addition to the provisions of this section 10.14, a Nominating Shareholder and any Proposed Nominee shall also comply with all of the applicable requirements of the Act, Applicable Securities Laws and applicable stock exchange rules regarding the matters set forth in this section 10.14.

6. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this section 10.14; provided, however, that nothing in this section 10.14 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of the Corporation of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall or shall not be disregarded.

7. For purposes of this section 10.14:

   a. "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System for Electronic Document Analysis and Retrieval+ at www.sedarplus.ca; and

   b. "**Applicable Securities Laws**" means the applicable securities legislation of each relevant province of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province of Canada.

8. Notwithstanding any other provision of this section 10.14, notice given to the Corporate Secretary of the Corporation may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Corporate Secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the aforesaid address) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Corporate Secretary of the Corporation at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Montreal time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

9. Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section 10.14.

ARTICLE 11
DIVISIONS AND DEPARTMENTS

Section 11.1 Creation and Consolidation of Divisions.

The board or the president & CEO may cause the business and operations of the Corporation or any part thereof to be divided, segregated or consolidated into one or more divisions upon such basis as may be considered appropriate. From time to time the board or the president & CEO may authorize the appointment of officers for any such division, the determination of their powers and duties, and the removal of any such officer so appointed without prejudice to such officer's right under any employment contract or in law, provided that any such officers shall not, as such, be officers of the Corporation, unless expressly designated as such.

ARTICLE 12
NOTICES

Section 12.1 Method of Giving Notices.

Any notice or document to be given pursuant to the Act, the regulations thereunder, the articles or the by-laws to a shareholder or director of the Corporation may be sent (a) by prepaid mail addressed to, or may be delivered personally to, the shareholder at the shareholder's latest address as shown in the records of the Corporation or its transfer agent and the director at the director's latest address as shown on the records of the Corporation or in the last notice of directors or notice of change of directors filed under the Act, and a notice or document sent in accordance with the foregoing to a shareholder or director of the Corporation shall be deemed to be received by them at the time it would be delivered in the ordinary course of mail unless there are reasonable grounds for believing that the shareholder or director did not receive the notice or document at the time or at all or (b) by electronic means as permitted by, and in accordance with, the Act and the regulations thereunder. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the secretary to be reliable. The foregoing shall not be construed so as to limit the manner or effect of giving notice by any other means of communication otherwise permitted by law.

Section 12.2 Notice to Joint Holders.

If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice addressed to one of such persons shall be sufficient notice to all of them.

Section 12.3 Computation of Time.

In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

Section 12.4 Undelivered Notices.

If any notice given to a shareholder pursuant to Section 12.1 is returned on two consecutive occasions because the shareholder cannot be found, the Corporation shall not be required to give any further notices to such shareholder until the shareholder informs the Corporation in writing of the shareholder's new address.

Section 12.5 Omissions and Errors.

The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

Section 12.6 Persons Entitled by Death or Operation of Law.

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom they derive their title to such share, prior to their name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which they became so entitled) and prior to their furnishing to the Corporation the proof of authority or evidence of their entitlement prescribed by the Act.

Section 12.7 Waiver of Notice.

Any shareholder, proxyholder, other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to them under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

ARTICLE 13
EFFECTIVE DATE

Section 13.1 Effective Date.

This by-law shall come into force on the date of the resolution of the board enacting this by-law.

Section 13.2 Repeal.

All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any articles or predecessor charter documents of the Corporation obtained pursuant to, any

such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board or a committee of the board with continuing effect passed under any repealed by-law shall continue good and valid except to the extent inconsistent with this by-law and until amended or repealed.

MADE by the board the 17th day of April, 2025.

/s/ Mark Hounsell
Secretary

[Translation]

SEDAR+ COPY

NOMINATION RIGHT AGREEMENT

THIS AGREEMENT is made as of February 13, 2025

BETWEEN: **CAE INC.**, a corporation incorporated under the *Canada Business Corporations Act* (the "**Corporation**");

AND: **CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC** , a legal person governed by an *Act respecting the Caisse de dépôt et placement du Québec* (Quebec) ("**CDPQ**");

WHEREAS at the date hereof, CDPQ owns or exercises control or direction over 9.7% of the issued and outstanding Common Shares;

WHEREAS the Parties wish to enter into this Agreement to grant CDPQ the rights specified herein;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

Article 1 INTERPRETATION

1.1 **Definitions**

As used in this Agreement, the following terms shall have the respective meanings:

a) "**Affiliates**" has the meaning given to the term "affiliate" in the QSA;

b) "**Agreement**", "**this Agreement**", "**the Agreement**", "**hereof**", "**herein**", "**hereto**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement, as it may be amended from time to time in accordance with the terms hereof;

c) "**Board**" means the board of directors of the Corporation as constituted from time to time;

d) "**Business Day**" means any day, other than a Saturday, a Sunday or a statutory holiday in Montréal (Quebec);

e) "**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time and any legislation that replaces it;

f) "**CDPQ**" has the meaning given thereto in the preamble;

g) "**CDPQ Nominee**" has the meaning given thereto in Section 2.1(a);

h) "**Common Shares**" means the common shares in the share capital of the Corporation;

i) "**Corporation**" has the meaning given thereto in the preamble;

j) "**Governance Committee**" means the Governance Committee of the Board;

k) "**Parties**" means the Corporation, CDPQ and their respective successors and assigns and " **Party**" means either one of them;

l) "**Person**" means any natural person, company or corporation with or without share capital, partnership, joint venture, entity, unincorporated association, consortium, business, sole proprietorship, trust, pension fund, union, board, tribunal, governmental authority and, with respect to a director of the Corporation, means an individual only;

m) "**QSA**" means the *Securities Act* (Quebec), as may be amended from time to time, and any statute that replaces it;

n) "**Securities Laws**" means the QSA and any other similar legislation or regulation of another province or territory of Canada;

o) "**Shareholders**" means, from time to time, the registered holders or beneficial owners of one or more Common Shares;

p) "**Stock Exchange**" means the Toronto Stock Exchange, the New York Stock Exchange (*NYSE*) or such other stock exchange of equivalent reputation on which the Common Shares may be listed from time to time.

1.2 **Interpretation**

For the purposes hereof, except as otherwise provided herein or unless the context otherwise requires:

a) the headings contained herein are for ease of reference only and may not be used to interpret, define or limit the scope or meaning of this Agreement or any provision thereof;

b) words in the singular number include the plural and vice versa, and words importing the use of any gender include all genders;

c) if an action is required to be taken hereunder on a day that is not a Business Day, such action must be taken at or before the specified time on the next Business Day; and

d) a reference to a law includes any regulation made thereunder, any amendments to such law or regulation in force from time to time, and any law or regulation that supplements or replaces such law or regulation.

Article 2 GOVERNANCE

2.1 **Board Nomination Right**

a) So long as CDPQ, together with its Affiliates, holds at least 5% of the outstanding Common Shares, CDPQ shall have the right, in accordance with the terms and subject to the conditions set forth in this paragraph 2.1 and the applicable Securities Laws, to designate a nominee (the "**CDPQ Nominee**") to be included on the list of nominees for election as directors proposed by the Corporation in a management proxy circular of the Corporation relating to the election of directors of the Corporation. For as long as CDPQ has the right to nominate a nominee to the Board pursuant to this Agreement, the Corporation shall propose for election to the Board and include in any management proxy circular the CDPQ Nominee and shall take all necessary steps to enforce CDPQ's rights hereunder, provided that the following conditions are met:

i. the CDPQ Nominee must be eligible under the CBCA, Securities Laws, Stock Exchange rules, the Corporation's articles of incorporation, by-laws and policies in effect from time to time to act as a director of the Corporation;

ii. the CDPQ Nominee shall not have a material relationship (within the meaning of *Regulation 52-110 respecting Audit Committees*) with the Corporation or CDPQ, and, for greater certainty, shall not be an employee, officer or director of CDPQ;

iii. the CDPQ Nominee must be a Canadian resident, unless the Corporation agrees otherwise in advance;

iv. the designation of the CDPQ Nominee must be recommended by the Governance Committee, acting reasonably and taking into account the profile, skills, and expertise required for an "independent" director (within the meaning of *Regulation 58-101 respecting Disclosure of Corporate Governance Practices*) of the Corporation;

v. the CDPQ Nominee may be one of the Corporation's current "independent" directors, provided that in no event shall CDPQ have any obligation to designate such a director as the CDPQ Nominee; and

vi. the CDPQ Nominee agrees to undergo any background checks that the Board or one of its committees may reasonably request in order to establish the foregoing, only to the extent that such checks or investigations have been or will be required for all other directors who are not employees, and shall provide the Corporation with a completed copy of the questionnaire for directors and officers that the Corporation requires or will require all candidates for director positions to complete in the normal course of business.

b) The Corporation shall notify CDPQ of its intention to hold an annual meeting of Shareholders at least 45 days prior to the approval by the Board of the Corporation's management proxy circular relating to said meeting. CDPQ shall have the right to notify the Corporation of the CDPQ Nominee designated in accordance with paragraph 2.1(a) at any time, but at least 15 days prior to such approval.

c) Subject to the conditions set forth in paragraph 2.1(a), prior to the first annual meeting of Shareholders following the date of this Agreement, or if the Person designated by CDPQ as CDPQ's Nominee ceases to be a director of the Corporation or if the position of the CDPQ Nominee otherwise becomes vacant, CDPQ shall have the right to appoint a Person as the CDPQ Nominee or as a replacement for the CDPQ Nominee, as the case may be, whom the Corporation shall appoint to the Board as soon as commercially reasonable and to the extent permitted by the CBCA and its articles of incorporation, and whose term of office shall expire at the close of the following annual meeting of Shareholders.

d) At the request of the Board and in light of the circumstances, when a CDPQ Nominee joins the Board, if applicable, he or she shall sign an agreement pursuant to which he or she undertakes to resign from the Board in the circumstances set out in this paragraph 2.1(d). When CDPQ, together with its Affiliates, ceases to hold at least 5% of the outstanding Common Shares, for any reason whatsoever, or upon the written waiver by CDPQ of its nomination right provided for in this paragraph 2.1, such right shall automatically and irrevocably terminate, and, with respect to the end of possession of at least 5% of the outstanding Common Shares only, CDPQ shall notify the Corporation of such fact as soon as possible and, upon request of the Board (with the CDPQ Nominee abstaining from voting on the matter), the CDPQ Nominee then elected or appointed to the Board shall resign, and CDPQ shall thereafter no longer have the right to designate a Person to serve on the Board.

2.2 **Consultation Right**

As long as CDPQ, together with its Affiliates, holds at least 5% of the outstanding Common Shares, and no later than February 13, 2026, if Katherine A. Lehman, whose appointment as an independent director was announced concurrently with the execution of this Agreement, ceases to act as a director of the

Corporation for any reason, the Corporation agrees that it will consult with CDPQ regarding the appointment of any replacement.

Article 3 GENERAL

3.1 **Coming into Force and Survival**

This Agreement shall enter into force on the date indicated on the first page of this Agreement and shall remain in force until the earliest of the following dates:

a) the date on which this Agreement is terminated by the Parties' mutual consent; or

b) the date on which CDPQ, with its Affiliates, holds less than 5% of the outstanding Common Shares.

3.2 **Severability**

Upon determination that any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced under any rule or law or public policy, all other terms and provisions of this Agreement shall remain in full force and effect to the extent that the financial or legal aspects of the transactions contemplated by this Agreement are not affected in a manner that would be significantly detrimental to a Party. If any term or other provision is found to be invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to amend this Agreement so as to give effect, to the maximum extent possible, to the original intent of the Parties in an acceptable manner so that the transactions contemplated in this Agreement are carried out to the maximum extent possible.

3.3 **Public Filing**

The Parties hereby agree to the public filing of this Agreement if a Party is bound to do so by law or the applicable regulations or policies of a regulatory agency of competent jurisdiction or Stock Exchange.

3.4 **Adjustments**

All references to Common Shares herein shall be adjusted to reflect any consolidations, share splits or reclassifications of shares or similar transactions occurring after the date hereof.

3.5 **Other Warranties**

Each of the Parties agree to execute and deliver from time to time all other documents and instruments, and to take all other steps, that the other Party may reasonably require to give effect to this Agreement or to better attest to or perfect the meaning and intent of this Agreement.

3.6 **Assignment and Benefit**

No Party may assign this Agreement or any right, benefit or obligation arising therefrom, except that this Agreement shall apply to and be binding upon the Parties and their respective successors and authorized assigns.

3.7 **Third Party Beneficiaries**

The terms and provisions of this Agreement shall apply solely for the benefit of the Parties and their respective successors and authorized assigns, and the Parties do not intend to confer any rights on third parties, and this Agreement does not confer any such rights on third parties who are not parties hereto.

3.8 **Entire Agreement**

The Parties acknowledge that this Agreement constitutes a full, true and complete account of the agreement between them and supersedes any and all prior agreements relating to the matters dealt with

herein, and the Parties formally waive any right to avail themselves of any discussions and negotiations relating to the matters dealt with herein that took place prior to the execution hereof.

3.9 **Modifications and Waivers**

This Agreement may only be amended or its provisions waived by a written agreement signed by all Parties.

3.10 **Notice**

a) Notices and other communications to be delivered hereunder shall be sent, in the case of a notice to be delivered to the Corporation, to the following address:

CAE Inc.
8585 Côte-de-Liesse
Saint-Laurent, Quebec H4T 1G6

Attention: Mark Hounsell, Chief Legal and Compliance Officer, and Corporate Secretary
Email: *[Redacted – Personal information]*

and with a copy (which shall not constitute formal notice) to:

Norton Rose Fulbright Canada LLP
1 Place Ville Marie, Suite 2500
Montréal, Quebec H3B 1R1

Attention: Stephen J. Kelly
Email: stephen.kelly@nortonrosefulbright.com

and, in the case of a notice to be delivered to CDPQ, to the following address:

Çaisse de dépôt et placement du Québec
Édifice Jacques-Parizeau 1000 Place Jean-Paul-Riopelle
Montréal, Quebec H2Z 2B3

Attention: Michèle Lefaivre, Senior Director, Legal Affairs
Email: *[Redacted – Personal information]* and affairesjuridiques@cdpq.com

or to any other address of which the recipient may inform the sender at any time. All communications must be delivered by hand to the recipient or sent by email to the recipient.

b) Any communication delivered by hand shall be deemed, if delivered before 4:30 p.m. (local time at the place of delivery) on a Business Day, to have been given and received on that day and, in all other cases, shall be deemed to have been given and received on the first Business Day following the day on which it was delivered.

c) Any communication sent by email shall be deemed, if sent on a Business Day before 4:30 p.m. (local time at the place of receipt), to have been given and received on that day and, in all other cases, shall be deemed to have been given and received on the first Business Day following the day on which it was sent.

3.11 **Applicable Laws**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Quebec (without regard to the conflict of laws principles applicable to the terms thereof) and the laws of

Canada that apply in Quebec. The Parties hereby acknowledge the non-exclusive jurisdiction of the courts of the Province of Quebec.

3.12 **Remedies**

Each Party agrees that the award of monetary damages would not constitute an adequate remedy for losses incurred as a result of a breach of this Agreement and that, in the event of an actual or imminent breach of this Agreement by a Party, the Corporation or CDPQ, as applicable, shall be entitled to equitable relief, including injunctive relief and specific performance. Such remedies shall not be exclusive remedies in the event of an actual or imminent breach of this Agreement, but shall be in addition to other remedies available at law or in equity.

3.13 **Copies**

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall constitute a single document. An executed signature page of this Agreement delivered by a Party by electronic means shall have the same effect as a hand-signed copy hereof delivered by that Party.

[The rest of the page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first written above.

CAE INC.

Per: *(signed) Mark Hounsell*

Mark Hounsell

Chief Legal and Compliance Officer,
and Corporate Secretary

Per: *(signed) Constantino Malatesta*

Constantino Malatesta

Interim Chief Financial Officer

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

Per: *(signed) Vincent Delisle*

Vincent Delisle

Executive Vice-President and Head of Liquid Markets

Per: *(signed) Sara O'Brien*

Sara O'Brien

Senior Portfolio Manager, Québec Relationship Investing

CAE Inc.
8585 Cote de Liesse
Saint-Laurent, Quebec
Canada H4T 1G6

Browning West, LP
1999 Avenue of the Stars, Suite 1150
Los Angeles, CA 90067

Attention: Usman Nabi and Peter Lee

Dear Messrs. Nabi and Lee:

This letter (this **Agreement**), dated and effective as of February 13, 2025, constitutes the agreement between CAE Inc. (the **Company**) and Browning West LP (including the funds managed by it,**Browning West**), with respect to the matters set forth below.

1 Board Refreshment. Following consultations with the Company's shareholders and other stakeholders, and as part of the commitment of the Company's board of directors (the **Board**) to regularly review its composition to ensure shareholders are represented by independent, engaged and highly qualified directors, the Board has determined to refresh its membership by appointing four (4) new directors and accepting the resignation of four (4) incumbent directors, including the Chair of the Board. At the regularly scheduled quarterly Board meeting on February 14, 2025, the Board shall take such actions as are necessary to implement the following Board changes:

a. appoint Calin Rovinescu as a director and Chair of the Board;
b. appoint Peter Lee (as proposed by Browning West) as a director;
c. appoint Katherine A. Lehman as a director;
d. appoint Louis Têtu (as proposed by the Caisse de dépôt et placement du Québec (**CDPQ**)) as a director (the new appointees, collectively, the **New Directors**); and
e. accept the resignation of the following incumbent directors:
Alan N. MacGibbon, current Chair of the Board,
Margaret S. (Peg) Billson,
François Olivier, and
David G. Perkins.

During the Cooperation Period (as defined below), unless consented to by Browning West (which consent shall not be unreasonably withheld, conditioned or delayed), the size of the Board shall not exceed thirteen (13) directors; provided that, if the new CEO is appointed to the Board and the current CEO remains on the Board during a transition period, the size of the Board shall not exceed fourteen (14) directors.

2 CEO Search Committee. In conjunction with the Board refreshment, the Board shall appoint Mr. Lee to its CEO Search Committee as soon as reasonably possible following

the Board refreshment (but in no event later than two (2) business days thereafter). The reconstituted CEO Search Committee shall consist of Mr. Rovinescu (Board Chair) and Mary Lou Maher (Committee Co-Chair), in addition to Mr. Lee (Committee Co-Chair).

3 Director Nominations. In respect of the Company's 2025 annual meeting of shareholders (the **2025 AGM**) and, in the event the Cooperation Period (as defined below) is extended pursuant to Section 6 [*Browning West Standstill*] hereof, the Company's 2026 annual meeting of shareholders (the **2026 AGM**), the Board shall include in the Company's management information circular for re-election as a director, and recommend to shareholders that they vote in favour of:

a. Mr. Lee, provided Browning West beneficially owns, or exercises control or direction over, directly or indirectly, or otherwise holds a Net Long Position (as defined below) over, at least 2.5% of the issued and outstanding common shares in the capital of the Company (calculated based on the total number of common shares issued and outstanding as of the date hereof, as adjusted for stock splits, reclassifications, combinations and similar adjustments affecting all holders of common shares) (the **Minimum Ownership Threshold**); and

b. each of the other New Directors,

in each case, subject to each director's continued qualification to serve in such capacity.

Net Long Position means that Browning West beneficially owns common shares in the capital of the Company, directly or indirectly, that constitute a net long position as defined in Rule 14e-4 under the US *Securities Exchange Act of 1934*, *mutatis mutandis*; provided, however, that "Net Long Position" shall not include any shares (i) as to which Browning West does not have the right to vote or direct the vote (other than as a result of being in a margin account), or (ii) as to which Browning West has entered into a derivative or other agreement, arrangement, commitment or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares.[1]

4 Replacement and Other Rights.

a. If Mr. Lee ceases for any reason to be a director of the Board during the Cooperation Period (other than pursuant to Section 9 [*Resignation from the Board*] or Section 14 [*Breach of Agreement (by Browning West)*] of this Agreement), and at such time Browning West satisfies the Minimum Ownership Threshold, then Browning West shall be entitled to designate another individual to serve as a replacement director who is reasonably acceptable to the Board (such acceptance not to be unreasonably withheld, conditioned or delayed). In such case, the Board will take all reasonable steps to appoint the individual as a director of the Company (and as a member of the committees of which Mr. Lee was a member immediately prior to his ceasing to be a director of the Board) to serve for the remainder of Mr. Lee's term.

[1] Link to Rule 14e-4 definition of "Net Long Position": https://www.ecfr.gov/current/title-17/chapter-II/part-240/subpart-A/subject-group-ECFR465b90927e2fdb3/section-240.14e-4.

b. If on or before February 13, 2026, Ms. Lehman ceases for any reason to be a director of the Board, then the Company shall consult Browning West in good faith on any proposed replacement to fill the vacancy on the Board created by Ms. Lehman ceasing to be a director, as part of the Board's consideration of such vacancy and potential replacement.

5 Voting. Browning West shall vote (or cause to be voted), in respect of any annual or special meeting of shareholders of the Company during the Cooperation Period (including the 2025 AGM and 2026 AGM, as applicable), any and all shares of the Company which it beneficially owns, or over which it exercises control or direction, directly or indirectly, or over which it has the right to vote on the record date for any such annual or special meeting of shareholder of the Company:

a. in favour of the election of all management director nominees recommended by the Board, and against the election of any director nominee not so recommended, for election;
b. against any resolution to remove any member of the Board; and
c. against any waiver or modification to the Company's articles or by-laws to alter the size or composition of the Board unless such waiver or modification is being proposed and recommended by the Board.

6 Browning West Standstill. During the period beginning upon execution of this Agreement until the date that is thirty (30) days prior to the notice deadline for shareholders to submit nominations of director candidates for election at the 2026 AGM pursuant to the Company's advance notice by-law (the **Cooperation Period**), except as specifically permitted in this Agreement or except with the prior written consent of the Company (in its sole discretion), Browning West and its affiliates shall not, directly or indirectly, or jointly or in concert with any other person, do any of the following:

a. requisition a meeting of shareholders or other securityholders of the Company;
b. obtain representation on, or nominate or propose the nomination of any candidate for election to, the Board;
c. seek to effect the removal of any member of the Board or otherwise seek to alter the composition of the Board (including through a "withhold" or similar campaign);
d. submit, or induce any person to submit, any shareholder proposal pursuant to the*Canada Business Corporations Act* (**CBCA**);
e. except in accordance with Section 5 [Voting] hereof, engage in, participate in, or in any way initiate, directly or indirectly, any "solicitation" (as such term is defined in the CBCA and in any applicable securities laws) with respect to the voting of any shares or other securities of the Company;
f. commence, join, encourage or support any litigation, arbitration, complaint or other proceeding (including any derivative action) against or involving the Company or any of its current or former officers or directors;
g. make any public or private disclosure of any consideration, intention, plan or arrangement inconsistent with any of the foregoing; or
h. enter into any discussions, arrangements, agreements, understandings or commitments (including any voting or support agreement) with any person with respect to the foregoing, or advise, assist, support, or encourage any person to take any action, in each case inconsistent with the foregoing.

The Cooperation Period shall be automatically extended until the conclusion of the 2026 AGM in the event the Company notifies Browning West in writing at least twenty (20) days prior to the expiry of the Cooperation Period that the Board irrevocably offers to re-nominate Mr. Lee for election at the 2026 AGM, and Browning West irrevocably accepts such offer within fifteen (15) days of such notice.

7 Current Ownership Interest. Browning West beneficially owns, or exercises control or direction over, directly or indirectly, or otherwise holds a Net Long Position (for the limited purpose of this representation in respect of Browning West's current ownership interest in the Company, disregarding the carve-outs in (i) and (ii) of the definition of Net Long Position) over, 13,734,943 common shares in the capital of the Company representing approximately 4.3% of the issued and outstanding common shares.

8 Confirmation of Ownership Interest. During the Cooperation Period:

a. Browning West shall promptly (and, in any case, within two (2) business days) notify the Company upon its interest in the Company falling below the Minimum Ownership Threshold.

b. Within two (2) business days after February 28, 2025, after the end of each financial quarter of the Company and after receipt of the Company's reasonable written request from time to time, Browning West shall confirm to the Company in writing that it continues to meet the Minimum Ownership Threshold.

9 Resignation from the Board. During the Cooperation Period, if Browning West fails at any time after February 28, 2025 to satisfy the Minimum Ownership Threshold, Browning West shall cause Mr. Lee (or his replacement) to immediately offer to resign from the Board and all of its committees, including as Co-Chair of the CEO Search Committee, which resignation may be accepted by the Chair of the Board (at the Chair's sole discretion), with immediate effect or otherwise. Concurrently with Mr. Lee's (or his replacement's) appointment to the Board, Browning West shall deliver an undated, pre-signed resignation from Mr. Lee (or his replacement) to the Board capable of being accepted by the Chair upon the occurrence of the circumstances indicated in this Section 9 (i.e., Browning West failing to satisfy the Minimum Ownership Threshold). For clarity, the acceptance of Mr. Lee's (or his replacement's) resignation from the Board pursuant to this Section 9 shall not relieve Browning West from its obligations under this Agreement.

10 Confidentiality. Browning West acknowledges that all directors of the Company (including Mr. Lee and the other New Directors) are required, as part of their fiduciary duties to the Company, to keep confidential all Company confidential information and to not disclose to any third parties any discussions, matters or materials considered in meetings of the Board or Board committees. For clarity, nothing in this Agreement shall be deemed to limit the exercise in good faith by Mr. Lee of his fiduciary duties in his capacity as a director of the Company.

11 Non-Disparagement. Each of Browning West and the Company agrees that, during the Cooperation Period, it shall not, and it shall cause its affiliates and its and their respective

directors, officers, partners, employees, agents and other representatives not to, do, say, publish, or communicate, publicly or privately, in any media or forum, any matter or thing that would reasonably be expected to undermine, disparage or reflect adversely on the reputation, qualifications, character, conduct, behaviour, businesses, products or services of the other party or any of its affiliates or representatives. For clarity, all communications relating to this Agreement shall not be inconsistent with the Press Release (as defined below).

12 Public Dissemination. Promptly following execution of this Agreement, the Company shallissue a press release in the form set out in Exhibit A (the **Press Release**). During the Cooperation Period, neither party hereto shall make any public announcements, disclosure or statements (including in any filing with the Canadian or U.S. securities regulators or any other regulatory or governmental agency, including any stock exchange) relating to this Agreement that are inconsistent with, or otherwise contrary to, the statements in the Press Release except, in each case, as required by applicable law. The Press Release shall be the only public communication relating to this Agreement.

13 [Redacted – Commercially sensitive information]

14 Breach of Agreement. A finding that any term of this Agreement has been breached by any representative of Browning West or any of its affiliates on the one hand, or the Company on the other hand, will immediately entitle the other party to equitable remedies (including specific performance or injunctive relief) in addition to any claim for damages or any other legal remedy.

15 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Québec sitting in the City of Montréal for any actions or proceedings arising out of or related to this Agreement.

16 Assignment. This Agreement, including any of the rights, duties or obligations herein, is not assignable or transferable by Browning West without the prior written consent of the Company. Any attempt to assign any of the rights, duties or obligations in this Agreement without such written consent is void.

17 Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter hereof.

18 Miscellaneous. All modifications of and amendments to this Agreement or any part hereof must be in writing signed on behalf of all parties. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument.

19 Language. This Agreement and all documents relating hereto has been drawn up in the English language at the express wish of the parties. *La présente convention ainsi que tous les documents s'y rapportant ont été rédigés en anglais conformément à la volonté expresse des parties.*

If the terms of this Agreement are in accordance with your understanding, please sign below, whereupon this Agreement shall constitute a binding agreement among us. An executed copy of this Agreement may be transmitted by email and the transmission of a signature by such means constitutes effective delivery.

[*signature page follows*]

Yours truly,

CAE INC.

Per: *(signed) Mark Hounsell*
Name: Mark Hounsell
Title: Chief Legal and Compliance Officer, and Corporate Secretary

ACKNOWLEDGED AND AGREED, on its own behalf and on behalf of the funds managed by it, this 13th day of February, 2025.

BROWNING WEST, LP

Per: *(signed) Samuel Green*
Name: Samuel Green
Title: Chief Compliance Officer and Chief Financial Officer

Exhibit "A"

Form of Press Release

See attached.

CAE Inc. announces changes to its Board of Directors

Montreal, February 13, 2025 – (NYSE: CAE, TSX: CAE) - CAE Inc. (“CAE” or “the Company”) today announced the appointment of four new directors to its Board of Directors, including Calin Rovinescu as Chair of the Board. The other three appointments are Peter Lee, Katherine A. Lehman and Louis Têtu.

These changes, which will take effect on February 14, followed consultations with the Company’s stakeholders that focused on the Board’s ongoing review of its composition, and a transition towards renewed Board leadership.

Said Mr. Rovinescu, “**As a longstanding airline customer and partner of CAE, I am excited to take on the role as Chair to help guide this exceptional global champion through its next chapter of growth and value creation. The other newly appointed Board members and I are energized by CAE’s innovative technology, strong market position in aerospace and defence, and outstanding people.**”

In connection with these changes, the Board invited Mr. Rovinescu to join as a director and Chair and Ms. Lehman to join as a director. The Caisse de dépôt et placement du Québec (CDPQ), one of the Company’s largest shareholders, nominated Mr. Têtu to the Board pursuant to a customary nomination rights agreement with the Company. Browning West, LP nominated Mr. Lee to the Board pursuant to a customary cooperation and standstill agreement with the Company. Mr. Lee and Mary Lou Maher will co-chair the CEO Search Committee, working closely with Mr. Rovinescu as Chair of the Board, to continue the recruitment process previously overseen by the Board’s Human Resources Committee.

The size of the Board remains unchanged at 13 as the four appointments are being made in conjunction with the retirement of four directors: Alan N. MacGibbon, who has served as Chair of the Board since 2022 and as a director since 2015; Margaret S. (Peg) Billson, who has served on the Board since 2015; François Olivier, who has served on the Board since 2017; and David G. Perkins, who has served on the Board since 2020. These directors have overseen a period of significant growth and change for CAE as it has moved from primarily an industrial products company to a world leader in aviation training solutions. The Company wishes to thank them for their exceptional service and valuable contributions during their tenure.

Said Mr. MacGibbon, “**During my time on the Board, I have seen the Company become a global leader in training for civil aviation and defence and security forces, furthering its mission to make the world a safer place. I am honoured to have been involved in CAE’s story and I thank CAE’s employees, management and my Board colleagues for their dedication to the Company. With a dynamic and engaged Board that is fully aligned on the process and transition to CAE’s next CEO, there is no better time for me to transition the Chair role to Calin. I am confident Calin’s proven track record in value creation and exemplary leadership skills will allow the Company to continue to be a leader in the sector and deliver value to its broad group of stakeholders.**”

Added Mr. Rovinescu, “**I would like to acknowledge and thank Alan for the tremendous leadership he has shown during his time at CAE. Even as he prepared to retire from the Company, Alan remained committed to ensuring that the CEO succession process proceed smoothly and effectively, as evident in his decision to make way for a new Chair who will work hand in hand with the incoming CEO. His guidance during this critical transition period is a testament to his enduring commitment to CAE and its future. Alan has set a high standard, and**

we are profoundly grateful for his board service and the legacy he leaves behind. I would also like to acknowledge and thank each of Peg, François and David for their service and contributions during their tenure."

Mr. MacGibbon concluded, "**On behalf of the Board, I would like to thank CDPQ and Browning West, as well as our other shareholders, who worked constructively with us throughout this process with the shared goal of creating sustainable and substantial shareholder value at CAE."**

About the Incoming Directors:

Mr. Rovinescu is a corporate director, venture capital investor and senior advisor to several corporations. He is currently a member of the board of directors of some of Canada's largest corporations. He served as President and Chief Executive Officer of Air Canada from 2009 until his retirement in 2021, leading Air Canada's transformation into one of the world's leading airlines and a Canadian global champion, expanding its network worldwide and producing record financial results and record stock market performance. From June 2014 to June 2015, while leading Air Canada, he served as Chair of the International Air Transport Association (IATA), a trade association that currently represents 340 airlines comprising more than 80 per cent of global air traffic. From 2012 to 2016 he also served as Chair of the Star Alliance chief executive board, the controlling body of Star Alliance, the world's largest global airline alliance, currently with 25 members. From 2004 to 2009, he was a co-founder and principal of Genuity Capital Markets, an independent investment bank. Prior to 2000, he was the Managing Partner of the law firm Stikeman Elliott in Montréal, where he practised corporate law for over 20 years. Mr. Rovinescu holds Bachelor of Law degrees from Université de Montréal and the University of Ottawa. He was recognized as Canada's Outstanding CEO of the Year by Financial Post Magazine in 2016 and as CEO of the Year and Strategist of the Year by the Globe and Mail's Report on Business Magazine in 2019. Mr. Rovinescu is a member of the Order of Canada and was inducted into the Canadian Business Hall of Fame in 2021.

Mr. Lee, in addition to being a Co-Founder and Partner of Browning West, LP, plays a leading role in that firm's investment research and capital allocation. Before co-founding Browning West in 2019, he was an investment associate at Criterion Capital Management, where he was responsible for identifying and researching investment opportunities across multiple sectors. Mr. Lee also held roles at Grey Mountain Partners and Lazard. Additionally, he is currently a director on the board of Gildan Activewear Inc. where he serves as Chair of the Compensation and Human Resources Committee and as a member of the Corporate Governance and Social Responsibility Committee. He has also served on the board of Countryside Properties plc. Mr. Lee holds a Bachelor of Arts from Carleton College and a Master of Business Administration from Harvard Business School.

Ms. Lehman is the current Chair of Stella Jones Inc. (TSX:SJ), a Montréal based, ~ C$6 billion enterprise value industrial business, and has been a Partner at the New York-based private equity firm Palladium Equity Partners, LLC since 2022. She leads the Palladium Heritage strategy, which invests in industrial and business services companies. Prior to Palladium, she was Co-Founder and Managing Partner at Hilltop Private Capital, LLC. She has garnered more than 20 years of experience in private equity executive roles and Board memberships, including at more than 20 public and private, profit and not-for-profit entities. Included in Ms. Lehman's prior Board roles are serving on the Board of a private company in a niche education and training area and serving on the Board of Navient (NASDAQ: NAVI) from 2014 to 2022, with roles as Chair of the Risk Committee and service on the Compensation and Personnel Committee and the Governance Committee.

Mr. Têtu has been Chair and Chief Executive Officer of the Montreal-based technology company Coveo Solutions Inc. since 2012. Prior to Coveo, Mr. Têtu co-founded Taleo Corporation, a leading international provider of cloud software for talent and human capital management, listed on NASDAQ in 2005 and subsequently acquired by Oracle for US$1.9 billion in 2012. Mr. Têtu was Chief Executive Officer and Chairman of the board of directors from the company's inception in 1999 through 2007. Prior to Taleo, Mr. Têtu was President of Baan SCS, the supply-chain management solutions group of Baan, a global enterprise software company. This followed Baan's acquisition of Berclain Group inc., which he co-founded in 1989 and where he served as President until 1996. Mr. Têtu currently serves on the board and human resources and corporate governance committees of Alimentation Couche-Tard Inc. (CircleK). He previously served on the board of Industrial Alliance Insurance and Financial Services inc. Mr. Têtu is an Engineering graduate from Université Laval in Québec City and a commercially licensed helicopter pilot.

Read the biographies of all members of the Board of Directors.

About CAE

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

Read our FY24 Global Annual Activity and Sustainability Report.

Follow us on Twitter: @CAE_Inc Facebook: www.facebook.com/cae.inc

LinkedIn: www.linkedin.com/company/cae Hashtags: #CAE; #CAEpilot

Caution concerning forward-looking statements

This press release includes forward-looking statements about CAE's ongoing CEO search process and transition to its next CEO and CAE's strategy and its expected impacts on the company and its stakeholders, and CAE, as well as CAE's activities, events and developments that we expect to or anticipate may occur in the future including, for example, statements about CAE's 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, 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 CAE to make assumptions and are subject to inherent risks and uncertainties associated with CAE’s 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 CAE believes are reasonable and appropriate in the circumstances, readers are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate. The forward-looking statements contained in this press release describe our expectations as of February 13, 2025 and, accordingly, are subject to change after such date.

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 CAE’s business, level and timing of defence spending, constraints within the civil aviation industry, CAE’s ability to penetrate new markets, research and development 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 CAE 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, CAE’s 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 CAE’s 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 CAE's intellectual property and brand, third-party intellectual property, foreign private issuer status, and enforceability of civil liabilities against CAE's 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 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 press release. More information about the risks and uncertainties affecting CAE's business can be found in the Management's Discussion & Analysis for the year ended March 31, 2024 and the Management's Discussion & Analysis for the third quarter ended December 31, 2024. Accordingly, 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 press release, and in the documents referenced herein, are not necessarily the only ones CAE faces; additional risks and uncertainties that are presently unknown to CAE or that CAE may currently deem immaterial may adversely affect CAE's business.

Except as required by law, CAE disclaims any intention or obligation to update or revise any forward- looking statements whether as a result of new information, future events or otherwise. The forward- looking information and statements contained in this press release are expressly qualified by this cautionary statement. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this press release. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

CAE Contacts:

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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, 2025 of CAE Inc. of our report dated May 13, 2025, 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 on Form S-8 (No. 333-275323, 333-267775, 333-213708, 333-155366 and 333-97185) of CAE Inc. of our report dated May 13, 2025 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, Canada
June 20, 2025

PricewaterhouseCoopers LLP
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T.: +1 514 205 5000, F.: +1 514 876 1502, Fax to mail: 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 20, 2025

/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, Constantino Malatesta, 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 20, 2025

/s/ Constantino Malatesta

Name: Constantino Malatesta
Title: Interim 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, 2025 (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 20, 2025

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, 2025 (the "Report").

I, Constantino Malatesta, Interim 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/ Constantino Malatesta
Constantino Malatesta
Interim Chief Financial Officer

Date: June 20, 2025

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



2025 ANNUAL INFORMATION FORM
(Fiscal Year Ended March 31, 2025)

CORPORATE OFFICE
8585 Chemin Côte-de-Liesse
Saint-Laurent, Québec
June 12, 2025 *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, 2025, and the notes thereto (**Consolidated Financial Statements**) appear in the Annual Financial Report to Shareholders for the year ended March 31, 2025 (**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, 2025, and the notes thereto, available on SEDAR+ at www.sedarplus.ca, is specifically incorporated by reference into this Annual Information Form (**AIF**). 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 2025 or FY2025 refer to the period from April 1, 2024 to March 31, 2025, 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 and references to fiscal 2022 or FY2022 refer to the period from April 1, 2021 to March 31, 2022.

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 sustainability 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, 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**) encroachment, inflation, international scope of our business, changes in U.S. trade policies or regulations, 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, our ability to 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 shareholder activism, availability of capital, customer credit risk, foreign exchange, effectiveness of internal controls over financial reporting, liquidity risk, interest rate volatility, returns to shareholders, 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; sustainability risks, such as extreme climate events and the impact of natural or other disasters (including effects of climate change) and sustainability commitments and expectations; 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 11 "*Business risk and uncertainty*" of the MD&A of the financial report for the year ended March 31, 2025, 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 12, 2025 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 including the rapidly evolving trade and tariff environment, 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 remaining Legacy Contracts while managing the risks associated therewith, our ability to defend our position in the dispute with the buyer of the CAE Healthcare business, and the realization of the expected strategic, financial and other benefits of the increase of our ownership stake in SIMCOM Aviation Training (**SIMCOM**) in the timeframe anticipated. Air travel is a major driver for CAE's business and management relies on analysis from the International Air Transport Association to inform its assumptions about the rate and profile of growth 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 11 "*Business risk and uncertainty*" of the MD&A of the financial report for the year ended March 31, 2025, 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 and head office is located at 8585 Côte-de-Liesse, Saint-Laurent, Québec, Canada H4T 1G6.

1.2 Intercorporate Relationships

Select subsidiaries of CAE as of March 31, 2025, their jurisdiction of organization and the percentage of voting securities directly or indirectly held by CAE in such subsidiaries on that date are indicated below. CAE has other subsidiaries, but the assets and revenues of such subsidiaries individually did not exceed 10%, and in the aggregate did not exceed 20%, of the Company's consolidated assets or consolidated revenues as at, and for the year ended, March 31, 2025.

Name	Jurisdiction of Organization	Percentage of Voting Securities Held
Canada, United States and Rest of Americas		
CAE Aviation Academy Phoenix LLC	Arizona	100%
CAE Aviation Training Chile Limitada	Chile	100%
CAE Civil Aviation Training Solutions, Inc.	Florida	100%
CAE Colombia Flight Training S.A.S.	Colombia	100%
CAE Military Aviation Training Inc.	Canada	100%
CAE North East Training Inc.	Delaware	100%
CAE SimuFlite Inc.	Delaware	100%
CAE South America Flight Training do Brasil Ltda	Brazil	100%
CAE TSP Inc.	Canada	100%
CAE USA Inc.	Delaware	100%
Flightscape Inc.	Delaware	100%
Europe and United Kingdom		
CAE Center Amsterdam B.V.	Netherlands	100%
CAE Flight Services Austria GmbH	Austria	100%
CAE GmbH	Germany	100%
CAE Luxembourg Acquisition SARL	Luxembourg	100%
CAE Services Italia, S.r.l.	Italy	100%
CAE STS Limited	United Kingdom	100%
CAE Training & Services UK Ltd.	United Kingdom	100%
Parc Aviation Limited	Ireland	100%
Servicios de Instrucción de Vuelo, S.L.	Spain	80%
Asia, Oceania and Africa		
CAE Aviation Training Australia Pty Ltd.	Australia	100%
CAE Brunei Multi-Purpose Training Center Sdn Bhd	Brunei	60%
CAE Kuala Lumpur Sdn. Bhd.	Malaysia	100%

2. COMPANY OVERVIEW

2.1 Overview

At CAE, we exist to make the world safer. We deliver cutting-edge training, simulation, and critical operations solutions to prepare aviation professionals and defence forces for the moments that matter. Every day, we empower pilots, cabin crew, maintenance technicians, airlines, business aviation operators, and defence and security personnel to perform at their best and when the stakes are the highest. Around the globe, we're everywhere customers need us to be with approximately 13,000 employees at around 240 sites and training locations in over 40 countries. For nearly 80 years, CAE has been at the forefront of innovation, consistently seeking to set the standard by delivering excellence in high-fidelity flight simulators and training solutions, while embedding sustainability at the heart of everything we do. By harnessing technology and enhancing human performance, we strive to be the trusted partner in advancing safety and mission readiness—today and tomorrow.

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 FY2025 was $4.7 billion and in FY2024 was $4.3 billion, and is broken down as follows:

Revenue by Segment (%)

	FY2025	FY2024
Civil Aviation	58	57
Defense & Security	42	43
	100	**100**

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

	FY2025	FY2024
Canada	10	11
United States	48	49
United Kingdom	6	6
Rest of Americas	3	2
Europe	14	15
Asia	16	13
Oceania and Africa	3	4
	100	**100**

For information on CAE revenues by reportable segment, reference is made to Section 6 "*Results by segment*" of the Company's 2025 MD&A, which section is incorporated by reference into this AIF.

Schedule A 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 Purpose, Mission and Vision

Our purpose is to make the world safer.

Our mission is to deliver cutting-edge training, simulation and critical operations solutions to prepare aviation professionals and defence forces for the moments that matter.

Our vision is to be the trusted partner in advancing safety and mission readiness, defining the standard of excellence in training and critical operations by harnessing technology and enhancing human performance.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Significant Developments of the Three Most Recent Fiscal Years

Fiscal Year 2023 Highlights

Leadership Changes

– On April 1, 2022, Patrick M. Shanahan joined the Board of Directors of CAE (**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.

Significant Transactions

– 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, subject to further post-closing adjustments, including on account of working capital. At the time of publication of this AIF, we are engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments. For more details, refer to Section 7.4 "*Contingencies and commitments*" in CAE's 2025 MD&A.

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 Highlights

Leadership Changes

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

– 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 July 25, 2024, we announced that Sonya Branco, Executive Vice President, Finance and Chief Financial Officer would be leaving CAE at the end of August 2024, and that Constantino Malatesta, CAE's Chief Accounting Officer and Vice-President, Controller Office, would be appointed Interim Chief Financial Officer following her departure.

– On August 14, 2024, Ian L. Edwards was elected to the Board.

– On November 12, 2024, we announced that after 20 years at CAE, including 15 years as President and Chief Executive Officer, Marc Parent would be leaving the Company at our Annual and Special Meeting of Shareholders to be held on August 13, 2025 (**Meeting**), and that a comprehensive global search was underway to identify a new CEO to lead the Company into the future.

– On February 13, 2025, we announced the appointment of four new directors to the Board: Calin Rovinescu as Chair, Peter Lee, Katherine A. Lehman and Louis Têtu. The appointments were effective as of February 14, 2025, and were made in

conjunction with the retirement of four directors: Alan N. MacGibbon, Margaret S. (Peg) Billson, François Olivier and David G. Perkins. Concurrently with the appointments, CAE entered into a customary nomination right agreement with Caisse de dépôt et placement du Québec (**CDPQ**) and a customary cooperation and standstill agreement with Browning West, LP (**Browning West**). Please refer to section 11 "*Material Contracts*" for more detail regarding these agreements.

Significant Transactions

– On November 5, 2024, we increased our ownership stake in our existing SIMCOM joint venture by purchasing an additional interest from Volo Sicuro for a cash consideration of US$232.3 million, subject to customary adjustments. As a result, we obtained control over SIMCOM's four training centres located in the U.S. providing pilot training across multiple business aviation aircraft platforms. Additionally, CAE and SIMCOM have each extended their respective exclusive business aviation training services agreement with Flexjet, LLC, a related party of Volo Sicuro, and its affiliates by five years, bringing the remaining exclusivity period to 15 years.

Other

– 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 27, 2024, we announced the re-establishment of our normal course issuer bid (**NCIB**) to purchase, for cancellation, up to 15,932,187 of our Common Shares over a one-year period ending May 29, 2025. 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. On October 1, 2024, we further announced that CAE has signed a 25-year sub-contract valued at approximately $1.7 billion with SkyAlyne, to develop and deliver a range of simulators and training devices for the various aircraft fleets being procured for the RCAF under the program.

– On June 20, 2024, we inaugurated our first Gulfstream-dedicated business aviation training centre. Located near Gulfstream Aerospace Corp. headquarters in Savannah, Georgia, the new centre has a capacity for up to 4 full-flight simulators.

– On September 25, 2024, we announced the inauguration of our new training and simulation facility in Tampa, headquarters to the U.S. Division of our Defense and Security segment. The 326,000 sq. ft. campus boasts a 16-bay manufacturing facility for simulation and product development.

– On October 9, 2024, we announced the deployment of our integrated solution of the U.S. Army High Accuracy Detection and Exploitation Systems (HADES), featuring CAE Bombardier Global 6500 full-flight simulator. The comprehensive training solution is part of the U.S. Army G-2 Intelligence Surveillance and Reconnaissance (ISR) Task Force and the Intelligence and Security Command (INSCOM), under the Department of Defense's Sentinel task order from Leidos, Inc.

– On November 18, 2024, we inaugurated a state-of-the-art training facility near Sydney Airport, in partnership with Quantas Group. Initially home to 5 full-flight simulators, 3 fixed training devices and 10 classrooms, the facility is expected to host additional training equipment in the coming years.

– On January 16, 2025, CAE inaugurated its first Air Traffic Services Training Centre in collaboration with NAV CANADA, the world's first fully private Air Navigation Service Provider and second largest in terms of the size of its airspace. The training centre, located on CAE's campus in Montréal, Canada, marked a broadening of CAE's training portfolio.

– On February 12, 2025, we announced that CAE had been identified as a strategic partner to the Government of Canada to work with the RCAF to design and co-develop the Future Fighter Lead-in Training program, which will prepare and train pilots to operate Canada's advanced fighters.

Fiscal Year 2026 to Date

Leadership Changes

– On June 2, 2025, we announced that at the conclusion of a rigorous global selection process, the Board, on the advice of the Company's CEO Search Committee, unanimously appointed Matthew Bromberg as President and Chief Executive Officer of CAE, effective August 13, 2025. Mr. Bromberg will join CAE on June 16, 2025 as Incoming President and CEO, working closely with Marc Parent throughout the transition to ensure continuity and a smooth handover of leadership responsibilities. Concurrently with Mr. Bromberg's appointment, and subject to their election at the Meeting, Calin Rovinescu will become Executive Chairman of the Board and Sophie Brochu will become Lead Independent Director.

Other

– On June 6, 2025, we announced the renewal of our NCIB to purchase, for cancellation, up to 16,019,294 of our Common Shares. The NCIB began on June 10, 2025 and will end on June 9, 2026 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.

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 in which we operate. 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. Furthermore, our solutions are deployed with a focus on integrated sustainability.

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.

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 3.3 "*Our strategy*" of CAE's 2025 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, ground personnel and air traffic controllers 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 airline operations digital 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, air navigation service providers, 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 3.4 "*Our operations*" of CAE's 2025 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 3.4 "*Our operations*" of CAE's 2025 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 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 mostly affected by pilot and maintenance training and industry regulations, safety and efficiency imperatives of commercial airlines and business aircraft operators, and the secular global growth in 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 and hiring, certification requirements, complexity of airline operations digital solutions, market demand for commercial and business air travel and helicopter transport; the latter two are also influenced by corporate profits and activity in the oil and gas sector. Section 3.4 "*Our operations*" of CAE's 2025 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 the growth in defence spending, the changing nature of the geopolitical security environment, and rapidly evolving technologies. Demand for CAE's Defense products and services are also influenced by the degree to which governments globally lean towards the outsourcing of operational support functions (including provision of advanced training) to the private sector to buffer shortfalls in operational personnel. We continue to experience the effects of unpredictability in defense procurement and new contract awards due to changing global security requirements, reduced bandwidth within government procurement agencies, and changing procurement priorities, all of which can impact adjusted order intake[1]. Our Defense business is also 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 or operating other military capital assets with demanding procedural qualities. Section 3.4 "*Our operations*" of CAE's 2025 MD&A provides more detail regarding the defence market trends and outlook.

4.4 Innovation and Research and Development

Overview

CAE represents nearly 80 years of industry firsts—the highest-fidelity flight and mission simulators, training programs and airline critical operations services 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.

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, and to enable airlines to manage their critical operations in the most efficient and effective way. 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

Most evolving technology 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. In addition, some trends are currently accelerating, such as the integration of artificial intelligence (**AI**) to improve the quality, efficiency and effectiveness of existing aerospace and aviation technology solutions, as well as potential regulatory changes increasing simulator training hours for pilot qualifications.

[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.

The 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 advanced and future generation fighter platforms. Mission readiness remains a key focus area which advanced technologies can enable as a priority in the defense sector.

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 2024, where CAE ranked 14th among all sectors. We continue to focus significant resources in areas such as data analytics, 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 FY2025 CAE completed a project aiming 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 carried 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, Québec's industrial consortium for the development of sustainable, ethical, secure and responsible AI. The project produced a guide on analyzing algorithmic and cognitive biases. It also created a benchmark of analysis solutions and developed a web application with a graphical interface to detect and analyze automation biases related to cognitive overload in decision-making systems. Additionally, in FY2025 CAE continued the work on Project Eco-Envol, initiated in FY2024 in collaboration with two other Québec 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.

In FY2024, CAE 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 has worked closely with the NRC on electric aircraft technology. Also in FY2024, CAE completed a multi-year collaborative R&D project 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 $1 billion 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 Québec to open up these new markets for CAE, Canada and Québec. CAE

continues to 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. Advancements continued in FY2025, including the development of many proof-of concepts to enhance safety, efficiency and effectiveness across the different training domains and platforms, including green aviation technologies, as well as advancing CAE's digitally immersive and AI-powered high-tech training and operational support solutions.

Selected Innovation Highlights Across CAE's Business Segments

CAE's digital transformation 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, enhance its product offering 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 operations digital solutions, project delivery and corporate services. We are also accelerating the integration of AI capabilities within our solutions offerings across all our segments. 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 numerous 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 FY2025, CAE continued to develop 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. CAE Connect™ also benefited from the AI boost with new added functionalities enabling the optimization and effective management of demand and supply within the training network. It helps optimize allocation of training resources like instructors, simulators, classrooms and courseware to meet the demands that can be predicted. 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 FY2025, these efforts increased our sellable capacity and enabled over 5,500 business aviation customers through the online portal, increasing efficiency in doing business with CAE. In addition, we enabled online payments through the platform, streamlining payments compared to traditional payment models.

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 first aviation simulation and training organization in the world 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 represented a pivotal advancement as we shift our efforts towards enhancing its functionalities to address the requirements of the defence and security market.

Throughout FY2025, CAE qualified CAE Prodigy™ on several full flight simulators and has deployed CAE Prodigy™ on 15 additional simulators that will be delivered through FY26, as it becomes the baseline offering for all CAE Civil Aviation simulators. As of the date of this AIF, CAE remains the only company to have qualified an image generator to Level-D standards based on a modern gaming engine. Late in FY2025, CAE deployed the system on helicopter training devices and expects to incorporate this cutting-edge technology on the next-generation UAV Mission Trainers to enhance the realism and effectiveness of the training and ensure that operators are well-prepared for their missions.

Also in FY2025, CAE showcased an immersive pilot training application leveraging the Apple Vision Pro mixed reality headset at the NBAA-BACE event. By using spatial computing to bring true-to-life precision to flight deck interactions, the app will allow pilots to remotely complete training activities that are currently only available in training centres. As part of CAE's training ecosystem, the app will not only further increase the effectiveness and speed of training pilots safely but will also enable pilots to train anytime from anywhere. The app is currently being tested on the Bombardier Global 7500 program and is scheduled to be rolled out on several additional aircraft platforms in FY2026.

In FY2024 and FY2025, 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.

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.

Innovation Across CAE's Operations

In FY2025, 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 deployment of an AI Developer Assistant to over 1,000 developers, accelerating the pace of software development. In the financial department, the introduction of cognitive services for accounts payable has not only improved efficiency but also raised employee satisfaction significantly. In FY2025, CAE also 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.

Looking ahead to FY2026, CAE has established a products and technology roadmap that will focus on three major axes: customer experience excellence, improving operational efficiencies and building the future of training and critical operations. All three axes will benefit from an acceleration in the deployment of AI use-cases across the Company, both unleashing internal efficiency gains as well as increasing proficiencies for our customers. All roadmap activities will focus on delivering personalized training journeys using AI-driven coaches and concierges, creating new revenue streams, including mission simulation engines, generating pilot training analytics and increasing efficiency across our value chain.

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 around 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; an air traffic services training centre delivering initial training to future air traffic controllers and flight service specialists; 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 airline operations digital solutions segment (Flightscape) offers a suite of products that provide solutions for airline operations including training management, crew management, flight management, airport management, in-flight services management and operations control. With our integrated platform, the operations control desk now has a single environment to communicate, providing insights and predictions on possible disruption and delays hence allowing airlines to reduce operating costs and enhancing customer satisfaction. The benefits for our airline 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 improves staff utilization. Finally, our movement management solution decreases delay and cancellation costs for airlines.

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, in addition to mission computing support, maintenance information management services, and other diverse services not directly related to simulation and training. CAE is also the global sole provider of fixed and rotary wing-qualified Magnetic Anomaly Detection equipment to Western militaries.

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 digital solutions in highly competitive international markets and we expect such competition to intensify in the future. Section 11.1 "*Strategic risks*" of CAE's 2025 MD&A contains more information regarding competition as a risk factor for CAE.

4.8 Supply Chain

CAE deals with a variety of goods and services suppliers across our business segments. Most of the raw materials used in manufacturing (such as sheet metal, wires, cables and electronic components) are available off the shelf from multiple commercial sources. 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 geopolitical 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.

Please refer to Sections 11.1 "*Strategic risks*", 11.2 "*Operational risks*" and 11.6 "*Legal and regulatory risks*" of CAE's 2025 MD&A for more detail regarding geopolitical uncertainty, OEM encroachment, changes in U.S. trade policies or regulations, 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, 2025, the portfolio has 280 active registrations and 91 pending applications.

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 11.3 "*Cybersecurity risks*", 11.6 "*Legal and regulatory risks*" and 11.9 "Technological risks" of CAE's 2025 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, and budget cycles. Defense sector purchasing is also significantly impacted by the global security environment and political and administration changes. CAE mitigates this variability with sustained business environment and market assessment practices, and by proactively engaging with government clients to explore alternatives to traditional procurement approaches. It also seeks to default to long-term training and in-service support arrangements wherever possible, with 20-25 year support contracts being the norm for many advanced systems.

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 and business aviation industries. 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 11 "*Business risk and uncertainty*" of CAE's 2025 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, 2025. These collective bargaining agreements have varying terms and expiration dates. The Company maintains positive and 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 Bi-Annual Talent and Leadership Review Process, a focus on workplace culture 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 adversely impacted by a failure to manage attrition, retain and integrate key personnel, develop our leaders, maintain an appropriately sized workforce to meet contract needs, and transition employees from completed projects to new projects or between internal business groups.

Please refer to Section 11.4 "*Talent risks*" of CAE's 2025 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 readiness, are both rooted in the principles of sustainability impact.

Over FY2025, many of our initiatives had a significant sustainability impact. Amongst those initiatives:

– We received approval from the Science Based Targets initiative (SBTi) of our near-term (10 years) reduction targets. CAE is committed to reduce Scope 1 and 2 emissions by 85.7% against FY2019 baseline and Scope 3 emissions by 32.5% against FY2022 baseline by the end of FY2033. The Scope 3 target is applicable only to the following categories: purchased goods and services, capital goods and fuel and energy related activities. These ambitious targets will guide our decarbonization journey and help us transition from carbon neutrality to net zero emissions. To that extent, we have implemented a comprehensive decarbonization strategy with four value streams: aviation, sourcing, products and services, and buildings. We have made progress in each of these areas, such as working on developing an electric conversion kit for our ab initio training aircraft, applying circular economy principles, optimizing our products for energy efficiency, integrating low-carbon technologies, and applying sustainable building standards. In addition, this year, our Civil Aviation and Defense & Security business units developed tactical decarbonization plans that will help us progress toward scope 1 and 2 FY2033 targets set against our FY2019 baseline.

– We developed a shadow internal carbon price (**ICP**) process to build carbon considerations into our future capital allocation decision-making. Our shadow ICP complements the business units' plans as an additional mechanism for them to measure the impact of potential opportunities on CAE's progressive transition to less carbon-intensive growth. The shadow ICP process will equip business leaders with relevant data on carbon emissions associated with growth projects. They will be able to plan future investments needed to reduce or mitigate carbon emissions of projects at the outset.

– We have also strengthened our engagement with our customers, suppliers, partners and industry peers to collaborate on solutions and best practices that support the decarbonization of the aerospace sector. We have made significant progress on engaging with our suppliers through our Resilient together program. The program focuses on our strategic suppliers, providing them with support and identifying incremental objectives to strengthen our supply network and evolve our suppliers' business, operations and sustainability practices. In FY2025, 90% of strategic direct suppliers, representing 98% of CAE's strategic direct spend, were scored or in the process of being scored by our third-party risk monitoring tool, EcoVadis, over a wide range of risks from environment to human rights matters. In addition, as a co-founder of the nonprofit organization Décarbone+, we support suppliers with their own carbon inventory and decarbonization measurement and reduction capabilities. Among the outcomes, these initiatives identify opportunities to leverage decarbonization as a means to strengthen the sector's competitiveness and resilience.

– Our sustainability strategy is also driven by our commitment to create social value and foster a culture where every employee can grow, contribute, and succeed. In FY2025, we received several awards and recognitions for our workplace efforts, which reflect our continuous commitment to attracting, developing and supporting top-talent based on skills and contributions. We progressed on our reconciliation journey to strengthen relations with Indigenous peoples in Canada with closer engagement with our Indigenous Advisory Board and offering training to all Canadian employees on legal frameworks governing practices with regards to private engagement with Indigenous communities.

– We have continued to strengthen our sustainability governance framework, policies and disclosure practices, reporting processes and controls in preparation for external assurance of our extra-financial data and compliance with existing and upcoming frameworks mandating disclosure of sustainability data in financial reporting. We have also expanded our transparency efforts on scope 3 GHG emissions inventory with the disclosure of an additional category, use of sold products, for the first time.

– Our performance and achievements related to sustainability factors are set out in our Global Annual Activity and Sustainability Report. Our objectives, management approach, initiatives and highlights across the Environmental, Social and Governance factors are also outlined in this report, which is available at **www.cae.com/sustainability**.

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;
– Business Courtesies Policy;
– Charitable Donations and Sponsorships Policy;
– Code of Business Conduct;
– Conflict Minerals Policy;
– Global Environment, Health and Safety Policy;
– Human Rights Policy;
– Inclusion and Equal Opportunities Policy;
– Internal Reporting and Whistleblowing Policy;
– Lobbying and Political Contributions Policy; and
– Supplier and Business Partner 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. 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 sustainability 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 and the Euro. 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 11.5 "*Financial risks*" of CAE's 2025 MD&A contain more information regarding foreign currency as a risk factor for CAE.

4.14 Reorganizations

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. Costs related to this restructuring program totalled $39.3 million in FY2024 and $40.6 million in FY2025. These expenses consisted mainly of severances and other employee-related costs, as well as impairment of property, plant and equipment, intangible assets and right-of-use assets related to the termination of certain product offerings within the Civil Aviation segment. This restructuring program was completed in the second quarter of FY2025.

Please refer to Section 5.3 "*Restructuring, integration and acquisition costs*" of CAE's 2025 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 11 *'Business risk and uncertainty*" in CAE's 2025 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 periodically based on the cash requirements of our operating activities, liquidity requirements and projected financial position. CAE did not declare nor pay any dividend in FY2023, FY2024 and FY2025.

6.2 Repurchase and Cancellation of Common Shares

On June 6, 2025, we announced the renewal of the Company's NCIB program to purchase up to 16,019,294 of our Common Shares. The NCIB began on June 10, 2025 and will end on June 9, 2026 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.

In FY2025, we repurchased and cancelled a total of 856,230 Common Shares under the previous NCIB, at a weighted average price of $24.85 per Common Share, for a total consideration of $21.3 million. The Company did not have an NCIB during FY2023 and FY2024, and as such no Common Shares were repurchased for cancellation under an NCIB during those two fiscal years.

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 FY2023, FY2024 and FY2025.

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, 2025 and June 12, 2025 respectively, 320,265,108 and 320,559,699 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 - FY2025

Month	Min.	Max.	Total Volume
April 2024	$25.42	$27.46	18,796,107
May 2024	$25.26	$28.85	31,019,309
June 2024	$24.77	$26.58	26,462,490
July 2024	$24.40	$26.36	18,482,072
August 2024	$22.62	$24.67	18,146,245
September 2024	$23.86	$25.39	23,032,282
October 2024	$24.50	$26.49	23,600,766
November 2024	$25.04	$32.91	39,187,162
December 2024	$32.75	$36.52	25,436,102
January 2025	$33.84	$35.38	23,506,008
February 2025	$33.36	$38.03	25,189,471
March 2025	$34.10	$36.48	26,172,390

CAE Inc. NYSE Share Price Information - FY2025			
Month	**Min. (USD)**	**Max. (USD)**	**Total Volume**
April 2024	$18.54	$20.22	12,637,162
May 2024	$18.49	$21.10	14,662,583
June 2024	$18.03	$19.41	14,218,227
July 2024	$17.65	$19.28	10,416,350
August 2024	$16.29	$17.95	13,155,771
September 2024	$17.60	$18.75	14,200,309
October 2024	$17.60	$19.19	11,322,630
November 2024	$17.95	$23.47	12,949,696
December 2024	$22.70	$25.38	8,267,345
January 2025	$23.53	$24.67	9,568,420
February 2025	$23.09	$26.78	12,403,912
March 2025	$23.58	$25.55	9,924,757

7.3 Prior Sales

For the 12-month period ending March 31, 2025, 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
April 1, 2024 – March 31, 2025	Common Shares	Exercise of options and vesting of PSUs and RSUs	2,809,105	$24.32 (weighted average price)
April 1, 2024 – March 31, 2025	Stock options	Grant of options	779,288	$25.45 (weighted average price)
April 1, 2024 – March 31, 2025	Performance share units (**PSUs**)	Grant of PSUs	903,341	$25.42 (weighted average price)
April 1, 2024 – March 31, 2025	Restricted share units (**RSUs**)	Grant of RSUs	393,805	$26.13 (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 12, 2025, 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-	Negative
Notes	BBB-	Negative

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 12, 2025, in connection with our Annual and Special Meeting of Shareholders to be held on August 13, 2025. All current members of the Board (except for our outgoing President and CEO, Marc Parent) are nominees for election at the Meeting, and one additional individual, our incoming President and CEO, Matthew Bromberg, 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) inclusion and equal opportunities, data protection and privacy, artificial intelligence, health and safety (including aviation safety), environment and climate change, ethics and anti-corruption, security, human rights (including modern slavery), and sustainability 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 President, 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.

Name and Place of Residence, and Year First Became a Director	Principal Occupation
SOPHIE BROCHU Québec, Canada (2023)	Ms. Brochu is a Corporate Director. She served as President and Chief Executive Officer of Hydro-Québec from 2020 to April 2023. She was the first woman in the government-owned corporation's history to hold that office on a permanent basis. Ms. Brochu has over 30 years of experience in the energy sector. She began her career in 1987 as a financial analyst with Société québécoise d'initiatives pétrolières (SOQUIP), a Québec government corporation responsible for developing the natural gas network in the province. She joined Énergir (formerly known as Gaz Métro) in 1997 and, in 2007, was appointed its President and Chief Executive Officer, a position she held until 2019. Ms. Brochu graduated from Université Laval with a Bachelor of Arts in Economics. She was awarded honorary doctorates by Université de Montréal (HEC Montréal), Bishop's University and Université Laval. She is a member of the Order of Canada and an officer of the Ordre national du Québec. Ms. Brochu is the Chair of the Governance Committee and a member of the Human Resources Committee.
PATRICK DECOSTRE Québec, 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. Mr. Decostre is a member of the Audit Committee.
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 Governance Committee and the Human Resources Committee.
IAN EDWARDS Québec, Canada (2024)	Mr. Edwards has been President and CEO of AtkinsRéalis Group Inc. since October 2019, after serving as Interim President and CEO since June 2019. With over 30 years of global experience in infrastructure and resource projects, he has led businesses across North America, Europe, the Middle East, and Asia Pacific. Since joining AtkinsRéalis in 2014, Mr. Edwards has held several leadership roles, including COO and President of Infrastructure, where he oversaw business transformation and operational improvements. Prior to AtkinsRéalis, he held senior positions at Leighton Group, managing a 20,000-employee business across multiple sectors. Mr. Edwards holds civil engineering qualifications from Lancashire University and is a Fellow of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers Mr. Edwards is a member of the Audit 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.
PETER LEE California, U.S. (2025)	Mr. Lee, in addition to being a Co-Founder and Partner of Browning West, plays a leading role in that firm's investment research and capital allocation. Before co-founding Browning West in 2019, he was an investment associate at Criterion Capital Management, where he was responsible for identifying and researching investment opportunities across multiple sectors. Mr. Lee also held roles at Grey Mountain Partners and Lazard. Additionally, he is currently a director on the board of Gildan Activewear Inc. where he serves as Chair of the Compensation and Human Resources Committee and as a member of the Corporate Governance and Social Responsibility Committee. He has also served on the board of Countryside Properties plc. Mr. Lee holds a Bachelor of Arts from Carleton College and a Master of Business Administration from Harvard Business School. Mr. Lee is a member of the Human Resources Committee.
KATHERINE LEHMAN New York, U.S. (2025)	Ms. Lehman is the current Chair of Stella Jones Inc. (TSX:SJ), a Montréal based industrial business, and has been a Partner at the New York-based private equity firm Palladium Equity Partners, LLC since 2022. She leads the Palladium Heritage strategy, which invests in industrial and business services companies. Prior to Palladium, she was Co-Founder and Managing Partner at Hilltop Private Capital, LLC. She has garnered more than 20 years of experience in private equity executive roles and Board memberships, including at more than 20 public and private, profit and not-for-profit entities. Included in Ms. Lehman's prior Board roles are serving on the Board of a private company in a niche education and training area and serving on the Board of Navient (NASDAQ: NAVI) from 2014 to 2022, with roles as Chair of the Risk Committee and service on the Compensation and Personnel Committee and the Governance Committee. Ms. Lehman is a graduate of the Wharton School at the University of Pennsylvania (B.S. in Economics) and of Columbia Business School (M.B.A). Ms. Lehman is a member of the Governance Committee.
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 the Chair of the Human Resources Committee.

Name and Place of Residence, and Year First Became a Director	Principal Occupation
MARC PARENT, C.M. Québec, Canada (2008)	Mr. Parent has been the President and CEO of CAE 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 (Québec'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.
CALIN ROVINESCU Ontario, Canada (2025)	Mr. Rovinescu is a corporate director, venture capital investor and senior advisor to several corporations. He is currently a member of the board of directors of some of Canada's largest corporations. He served as President and Chief Executive Officer of Air Canada from 2009 until his retirement in 2021, leading Air Canada's transformation into one of the world's leading airlines and a Canadian global champion, expanding its network worldwide and producing record financial results and record stock market performance. From June 2014 to June 2015, while leading Air Canada, Mr. Rovinescu served as Chair of the International Air Transport Association (IATA), a trade association that currently represents 340 airlines comprising more than 80 percent of global air traffic. From 2012 to 2016 he also served as Chair of the Star Alliance chief executive board, the controlling body of Star Alliance, the world's largest global airline alliance, currently with 25 members. From 2004 to 2009, he was a co-founder and principal of Genuity Capital Markets, an independent investment bank. Before 2000, he was the Managing Partner of the law firm Stikeman Elliott in Montréal, where he practised corporate law for over 20 years. Mr. Rovinescu holds Bachelor of Law degrees from Université de Montréal and the University of Ottawa. He was recognized as Canada's Outstanding CEO of the Year by Financial Post Magazine in 2016 and as CEO of the Year and Strategist of the Year by the Globe and Mail's Report on Business Magazine in 2019. Mr. Rovinescu is a member of the Order of Canada and was inducted into the Canadian Business Hall of Fame in 2021. Mr. Rovinescu is the Chair of the Board of Directors. As Chair of the Board, Mr. Rovinescu attends all Committee meetings.

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 Human Resources Committee.
LOUIS TÊTU Québec, Canada (2025)	Mr. Têtu has been Executive Chairman of the Montreal-based technology company Coveo Solutions Inc. since 2025, and previously served as its Chair and Chief Executive Officer from 2008 to 2025. Prior to Coveo, Mr. Têtu co-founded Taleo Corporation, a leading international provider of cloud software for talent and human capital management, listed on NASDAQ in 2005 and subsequently acquired by Oracle for US$1.9 billion in 2012. Mr. Têtu was Chief Executive Officer and Chairman of the board of directors from the company's inception in 1999 through 2007. Prior to Taleo, Mr. Têtu was President of Baan SCS, the supply-chain management solutions group of Baan, a global enterprise software company. This followed Baan's acquisition of Berclain Group inc., which he co-founded in 1989 and where he served as President until 1996. Mr. Têtu currently serves on the board and human resources and corporate governance committees of Alimentation Couche-Tard Inc. (CircleK). He previously served on the board of Industrial Alliance Insurance and Financial Services inc. Mr. Têtu is an Engineering graduate from Université Laval in Québec City and a commercially licensed helicopter pilot. Mr. Têtu is a member of the Audit 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 Québec, Canada	Senior Vice President, Investor Relations and Enterprise Risk Management since August 2021, with CAE since 2001; formerly Senior Vice President, Strategy and Investor Relations.
CARTER COPELAND Georgia, United States	Chief Strategy and Performance Officer since July 2024, with CAE since 2021; previously Senior Vice President, Global Strategy; formerly President and co-founder of Melius Research (2017-2021). Mr. Copeland is a Charted Financial Analyst.
HÉLÈNE V. GAGNON Québec, Canada	Çhief People and Sustainability Officer since August 2024, with CAE since 2015; previously Chief Sustainability Officer and Senior Vice President, Stakeholder Engagement; formerly Vice President, Public Affairs, Communications, Corporate Social Responsibility and Achieving Excellence System for Bombardier Aerospace (2006-2014).
PASCAL GRENIER Québec, Canada	Division President, Flightscape 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 Québec, Canada	Chief Legal and Compliance Officer, and Corporate Secretary, with CAE since February 2016; formerly Chief Legal Officer and Corporate Secretary of Aimia Inc. (2006-2016).
NICK LEONTIDIS Québec, 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).
CONSTANTINO MALATESTA Québec, Canada	Interim Chief Financial Officer since August 2024, with CAE since 2006; previously Chief Accounting Officer and Vice-President, Controller Office (2016-2024), Global Head of Finance for CAE Oxford Aviation Academy (2014-2016), Director of Finance & Assistant Corporate Controller (2011-2013), and Manager – Accounting Standards (2006-2011). Mr. Malatesta holds a Chartered Professional Accountant designation in Canada and a Certified Public Accountant designation in the United States.

All Directors and Executive Officers as a group (20 persons) beneficially owned or exercised control or direction, directly or indirectly, over 652,117 Common Shares representing 0.20% of the class as at June 12, 2025.

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 B.

10.2 Membership

The members of CAE's Audit Committee are Marianne Harrison (Chair), Ayman Antoun, Patrick Decostre, Ian L. Edwards and Louis Têtu. 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.

Ian L. Edwards has been President and CEO of AtkinsRéalis Group Inc. since October 2019, after serving as Interim President and CEO since June 2019. With over 30 years of global experience in infrastructure and resource projects, he has led businesses across North America, Europe, the Middle East, and Asia Pacific. Since joining AtkinsRéalis in 2014, Mr. Edwards has held several leadership roles, including COO and President of Infrastructure, where he oversaw business transformation and operational improvements. Prior to AtkinsRéalis, he held senior positions at Leighton Group, managing a 20,000-employee business across multiple sectors. Mr. Edwards holds civil engineering qualifications from Lancashire University and is a Fellow of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers.

Patrick Decostre has been the President and CEO 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. 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.

Louis Têtu has been Executive Chairman of the Montreal-based technology company Coveo Solutions Inc. since 2025, and previously served as its Chair and Chief Executive Officer from 2008 to 2025. Prior to Coveo, Mr. Têtu co-founded Taleo Corporation, a leading international provider of cloud software for talent and human capital management, listed on NASDAQ in 2005 and subsequently acquired by Oracle for US$1.9 billion in 2012. Mr. Têtu was Chief Executive Officer and Chairman of the board of directors from the company's inception in 1999 through 2007. Prior to Taleo, Mr. Têtu was President of Baan SCS, the

supply-chain management solutions group of Baan, a global enterprise software company. This followed Baan's acquisition of Berclain Group inc., which he co-founded in 1989 and where he served as President until 1996. Mr. Têtu currently serves on the board and human resources and corporate governance committees of Alimentation Couche-Tard Inc. (CircleK). He previously served on the board of Industrial Alliance Insurance and Financial Services inc. Mr. Têtu is an Engineering graduate from Université Laval in Québec City.

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 FY2025

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	**2025 ($ millions)**	**2024 ($ millions)**
1. Audit services	7.5	6.7
2. Audit-related services	0.4	0.6
3. Tax services	0.4	0.4
4. All other services	0.0	0.0
Total	**8.3**	**7.7**

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.

All other fees correspond to the fees paid for advisory and consulting services. No such fees were paid in the last two fiscal years.

11. MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of FY2025, or entered into prior to such date, but which are still in effect. Each of the summaries below describes certain material provisions of the relevant material contract and is subject to, should be read in conjunction with, and is qualified in its entirety by reference to, the relevant material contract, a copy of which is available on the Company's profiles on SEDAR+ at www.sedarplus.ca and EDGAR at www.sec.gov.

Nomination Right Agreement

On February 13, 2025, the Company entered into a nomination right agreement (**Nomination Right Agreement**) with CDPQ, at the time one of the Company's largest shareholders, as part of the Company's board renewal process. The Nomination Right Agreement provides that as long as CDPQ and its affiliates own at least 5% of the Company's Common Shares, CDPQ shall have the right to designate a nominee to be included in the management slate of nominees to the Board in future management proxy circulars. The Nomination Right Agreement may be terminated at any time by mutual consent of the Company and CDPQ, and will automatically terminate if CDPQ and its affiliates cease to hold at least 5% of the Company's Common Shares.

In connection with the Nomination Right Agreement, Louis Têtu was selected by CDPQ as its initial director nominee. Mr. Têtu was appointed to the Board on February 14, 2025.

Cooperation and Standstill Agreement

On February 13, 2025, the Company entered into a cooperation and standstill letter agreement (**Cooperation and Standstill Agreement**) with Browning West, as part of the Company's board renewal process. The Cooperation and Standstill Agreement provides for: (i) customary standstill provisions from the date of the Cooperation and Standstill Agreement until the date that is thirty days prior to the notice deadline to submit nominations of director candidates for election at the 2026 annual meeting of shareholders (the **Cooperation Period**); (ii) the appointment of Calin Rovinescu as director and Chair of the Board and each of Peter Lee, Katherine Lehman and Louis Têtu as directors; (iii) the inclusion of each of Mr. Rovinescu, Ms. Lehman, Mr. Têtu and, provided Browning West holds a Net Long Position (as defined below) over at least 2.5% of the Company's Common Shares (the **Minimum Ownership Threshold**), Mr. Lee, in the management slate of nominees to the Board in the Company's management proxy circular for the Meeting and, if the Cooperation Period is extended in accordance with the terms of the Cooperation and Standstill Agreement, for the 2026 annual meeting of shareholders; and (iv) an undertaking from Browning West to vote, during the Cooperation Period, all of the Common Shares over which it exercises control in favour of the election of all director nominees recommended by the Board and against the election of any director nominee not so recommended.

If Mr. Lee ceases to serve as a director of the Board during the Cooperation Period other than in certain specific circumstances, and at such time Browning West satisfies the Minimum Ownership Threshold, Browning West shall be entitled to designate another individual who is reasonably acceptable to the Board to serve as a replacement director.

For purposes of determining the Minimum Ownership Threshold, a **Net Long Position** means that Browning West beneficially owns Common Shares in the capital of the Company, directly or indirectly, that constitute a net long position as defined in Rule 14e-4 under the U.S. *Securities Exchange Act of 1934*; provided, however, that "Net Long Position" shall not include any shares (i) as to which Browning West does not have the right to vote or direct the vote (other than as a result of being in a margin account), or (ii) as to which Browning West has entered into a derivative or other agreement, arrangement, commitment or understanding that hedges or transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of such shares.

12. 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, Québec, Canada H3B 4Y1. PwC is independent of the Company within the meaning of the Code of ethics of chartered professional accountants (Québec). 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.

13. 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 12, 2025, in connection with CAE's Annual and Special Meeting of Shareholders to be held on August 13, 2025.

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, 2025. A copy of such documents may be obtained from the Vice President, Public Affairs and Global Communications or the Chief Legal and 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 Chief Legal and 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

“**Annual Financial Report**” means the Annual Financial Report to Shareholders for the year ended March 31, 2025

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

“**Browning West**” means Browning West, LP

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

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

“**CDPQ**” means Caisse de dépôt et placement du Québec

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

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

“**Consolidated Financial Statements**” means the Consolidated Financial Statements for the year ended March 31, 2025 and the notes thereto

“**Cooperation and Standstill Agreement**” means the cooperation and standstill letter agreement between the Company and Browning West, dated February 13, 2025

“**Cooperation Period**” means the period ranging from the date of the Cooperation and Standstill Agreement until the date that is thirty days prior to the notice deadline to submit nominations of director candidates for election at the 2026 annual meeting of Shareholders

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

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

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

“**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

“**FY2025**” means fiscal 2025, which refers to the period from April 1, 2024 to March 31, 2025

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

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

“**ICP**” means internal carbon price

"**IT**" means information technology

"**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, 2025

"**MD&A**" means CAE's Management's Discussion and Analysis

"**Meeting**" means CAE's Annual and Special Meeting of Shareholders to be held on August 13, 2025

"**Minimum Ownership Threshold**" means a Net Long Position over at least 2.5% of the Company's Common Shares

"**MR**" means mixed reality

"**NCIB**" means normal course issuer bid

"**Net Long Position**" has the meaning ascribed to it in Section 11

"**Nomination Right Agreement**" means the nomination right agreement between the Company and CDPQ, dated February 13, 2025

"**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

"**SIMCOM**" means SIMCOM Aviation Training

"**SkyAlyne**" means SkyAlyne Canada Limited Partnership

"**SVT**" means Soldier Virtual Trainer

"**TSX**" means the Toronto Stock Exchange

"**USD**" means United States dollars

"**VR**" means virtual reality

SCHEDULE A – 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:

Location	***Civil Aviation***	***Defense & Security***
Canada		
Bagotville, Québec		√
Cold Lake, Alberta		√
Comox, British Columbia		√
Edmonton, Alberta	√	
Gagetown, New Brunswick		√
Greenwood, Nova Scotia		√
Halifax, Nova Scotia		√
Mirabel, Québec		√
Montréal, Québec	√	√
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		
Adelanto (Gray Butte), California		√
Albuquerque, New Mexico		√
Altus AFB, Oklahoma		√
Arlington, Texas		√
Avon, Connecticut	√	
Ballston Spa, New York		√
Binghamton, New York		√

Broken Arrow, Oklahoma		√
Cheyenne, Wyoming		√
Chicopee, Massachusetts		√
China Lake, California		√
Colorado Springs (Peterson AFB), Colorado		√
Columbus, Ohio		√
Corpus Christi, Texas		√

[2] 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.

Location	***Civil Aviation***	***Defense & Security***
Creech, Nevada		√
Dallas/Fort Worth, Texas	√	√
Dothan, Alabama		√
Duluth, Minnesota		√
Edwards AFB, California		√
Eglin AFB, Florida		√
Elmendorf AFB, Alaska		√
Fairchild AFB, Washington		√
Fort Bliss, Texas		√
Fort Carson, Colorado		√
Fort Eustis, Virginia		√
Fort Liberty (Fort Bragg), North Carolina		√
Fort Novosel (Fort Rucker), Alabama		√
Fowler, Colorado		√
Glendale, Arizona		√
Goldsboro, North Carolina		√
Grand Forks, North Dakota		√
Hickam AFB, Hawaii		√
Hill AFB, Utah		√
Hurlburt Field, Florida		√
Holloman, New Mexico		√
Honolulu, Hawaii	√	
Irving, Texas	√	
Lackland AFB, Texas		√
Las Vegas, Nevada	√	
Little Rock, Arkansas		√
MacDill AFB, Florida		√
March ARB, California		√
Marietta, Georgia		√
Meridian, Mississippi		√

Mesa, Arizona	√	√
Milwaukee, Wisconsin		√
Minneapolis, Minnesota	√	
Morristown, New Jersey	√	
Nellis AFB, Nevada		√
Oklahoma City, Oklahoma	√	√
Orlando, Florida	√	√
Philadelphia, Pennsylvania		√
Pittsburgh, Pennsylvania		√
Phoenix, Arizona	√	
Pueblo, Colorado		√
Savannah, Georgia	√	
Scott AFB, Illinois		√
Scottsdale, Arizona	√	
Shaw AFB, South Carolina		√
Sheppard AFB, Texas		√

Location	***Civil Aviation***	***Defense & Security***
Suffolk, Virginia		√
Swanton, Ohio		√
Syracuse, New York		√
Tampa, Florida		√
Tinker AFB, Oklahoma		√
Tucson, Arizona		√
Tulsa, Oklahoma		√
Valparaiso, Florida		√
Whiteman AFB, Missouri		√
Wright-Patterson AFB, Ohio		√
United Kingdom		
Aberdeen, United Kingdom		√
Burgess Hill, United Kingdom	√	√
Cornwall, United Kingdom		√
Gatwick, United Kingdom	√	
Helston, United Kingdom		√
Moray, United Kingdom		√
Oxford, United Kingdom	√	
Shawbury, United Kingdom		√
Wallingford, United Kingdom		√
Yeovil, 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		√

Location	***Civil Aviation***	***Defense & Security***
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		√

Location	***Civil Aviation***	***Defense & Security***
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		√
St Peters, Australia (Sydney)	√	

SCHEDULE B – 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, cybersecurity and artificial intelligence 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 and situations in which a related party has a material interest in a transaction involving CAE. For greater certainty, “related parties” include (i) Directors and Officers of CAE, (ii) persons or organizations with whom a Director or Officer of CAE has a potential conflict of interest, real or perceived, in accordance with CAE’s Conflicts of Interest Policy, and (iii) any person who beneficially owns more than 10% of CAE’s common shares.

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 sustainability 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, and annual and interim earnings press releases, 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, annual information form 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 Chief Legal and Compliance Officer, and Corporate Secretary, 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, 2025

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 and the Interim 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, 2025 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, 2025.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2025 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/ Constantino Malatesta
Interim Chief Financial Officer

May 13, 2025

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 (the Company) as of March 31, 2025 and 2024, and the related consolidated statements of income, of comprehensive income, of changes in equity and of 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, 2025, 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, 2025 and 2024, 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, 2025, 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 matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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, 2025, a portion of total consolidated revenue of $4.7 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.

/**s/PricewaterhouseCoopers**

Montréal, Canada
May 13, 2025

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	**2025**	2024
Continuing operations			
Revenue	4	**$ 4,707.9**	$ 4,282.8
Cost of sales		**3,407.8**	3,128.3
Gross profit		**$ 1,300.1**	$ 1,154.5
Research and development expenses		**123.2**	149.8
Selling, general and administrative expenses		**565.4**	535.0
Other (gains) and losses	5	**(13.3)**	27.9
Share of after-tax profit of equity accounted investees	4	**(88.3)**	(72.2)
Restructuring, integration and acquisition costs	6	**56.5**	131.4
Impairment of goodwill	15	**—**	568.0
Gain on remeasurement of previously held equity interest	7	**(72.6)**	—
Operating income (loss)		**$ 729.2**	$ (185.4)
Finance expense – net	8	**215.5**	205.0
Earnings (loss) before income taxes		**$ 513.7**	$ (390.4)
Income tax expense (recovery)	9	**98.7**	(72.8)
Net income (loss) from continuing operations		**$ 415.0**	$ (317.6)
Net income from discontinued operations	3	**—**	21.3
Net income (loss)		**$ 415.0**	$ (296.3)
Attributable to:			
Equity holders of the Company		**$ 405.3**	$ (304.0)
Non-controlling interests		**9.7**	7.7
Earnings (loss) per share attributable to equity holders of the Company			
Basic and diluted – continuing operations	10	**$ 1.27**	$ (1.02)
Basic and diluted – discontinued operations	10	**—**	0.07

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		**2025**		2024
Net income (loss) from continuing operations		**$**	**415.0**	$	(317.6)
Items that may be reclassified to net income (loss)					
Foreign currency exchange differences on translation of foreign operations		**$**	**381.9**	$	(4.7)
Net (loss) gain on hedges of net investment in foreign operations			**(125.2)**		8.0
Reclassification to income of gains on foreign currency exchange differences			**(10.1)**		(1.6)
Net loss on cash flow hedges			**(41.4)**		(11.9)
Reclassification to income of losses on cash flow hedges			**20.6**		5.0
Income taxes	9		**5.9**		(1.0)
		$	**231.7**	$	(6.2)
Items that will never be reclassified to net income (loss)					
Remeasurement of defined benefit pension plan obligations	22	**$**	**(54.3)**	$	16.0
Income taxes	9		**14.4**		(4.2)
		$	**(39.9)**	$	11.8
Other comprehensive income from continuing operations		**$**	**191.8**	$	5.6
Net income from discontinued operations	3	**$**	**—**		21.3
Other comprehensive loss from discontinued operations	3		**—**		(7.0)
Total comprehensive income (loss)		**$**	**606.8**	$	(297.7)
Attributable to:					
Equity holders of the Company		**$**	**593.2**	$	(305.4)
Non-controlling interests			**13.6**		7.7

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	2025	2024
Assets			
Cash and cash equivalents		**$ 293.7**	$ 160.1
Accounts receivable	11	**612.0**	624.7
Contract assets	12	**482.2**	537.6
Inventories	13	**595.0**	573.6
Prepayments		**78.2**	68.0
Income taxes recoverable		**59.0**	35.3
Derivative financial assets		**23.5**	7.2
Total current assets		**$ 2,143.6**	$ 2,006.5
Property, plant and equipment	14	**2,989.5**	2,515.6
Right-of-use assets	16	**788.0**	545.8
Intangible assets	15	**3,871.0**	3,271.9
Investment in equity accounted investees	17	**559.1**	588.8
Employee benefits assets	22	**11.6**	65.7
Deferred tax assets	9	**191.8**	233.3
Derivative financial assets		**1.4**	4.2
Other non-current assets	18	**657.8**	602.3
Total assets		**$ 11,213.8**	$ 9,834.1
Liabilities and equity			
Accounts payable and accrued liabilities	19	**$ 1,190.8**	$ 1,035.3
Provisions	20	**34.5**	42.6
Income taxes payable		**18.4**	31.1
Contract liabilities	12	**1,001.6**	911.7
Current portion of long-term debt	21	**399.0**	308.9
Derivative financial liabilities		**42.2**	28.8
Total current liabilities		**$ 2,686.5**	$ 2,358.4
Provisions	20	**14.3**	14.0
Long-term debt	21	**3,071.4**	2,765.4
Employee benefits obligations	22	**134.1**	98.7
Deferred tax liabilities	9	**40.7**	36.6
Derivative financial liabilities		**22.4**	2.9
Other non-current liabilities	23	**268.4**	255.5
Total liabilities		**$ 6,237.8**	$ 5,531.5
Equity			
Share capital	10	**$ 2,327.1**	$ 2,252.9
Contributed surplus		**69.8**	55.4
Accumulated other comprehensive income	25	**381.8**	154.0
Retained earnings		**2,112.8**	1,762.6
Equity attributable to equity holders of the Company		**$ 4,891.5**	$ 4,224.9
Non-controlling interests		**84.5**	77.7
Total equity		**$ 4,976.0**	$ 4,302.6
Total liabilities and equity		**$ 11,213.8**	$ 9,834.1

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, 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	26	405,943	9.3	(1.5)	—	—	7.8	—	7.8
Equity-settled share-based payments expense	26	—	—	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
Net income		—	$ —	$ —	$ —	$ 405.3	$ 405.3	$ 9.7	$ 415.0
Other comprehensive income (loss)		—	—	—	227.8	(39.9)	187.9	3.9	191.8
Total comprehensive income		—	$ —	$ —	$ 227.8	$ 365.4	$ 593.2	$ 13.6	$ 606.8
Exercise of stock options	26	2,763,675	79.0	(11.9)	—	—	67.1	—	67.1
Settlement of equity-settled awards	26	45,430	1.3	(1.3)	—	—	—	—	—
Repurchase and cancellation of common shares	10	(856,230)	(6.1)	—	—	(15.2)	(21.3)	—	(21.3)
Equity-settled share-based payments expense, after tax	26	—	—	27.6	—	—	27.6	—	27.6
Transactions with non-controlling interests		—	—	—	—	—	—	(6.8)	(6.8)
Balances as at March 31, 2025		**320,265,108**	**$ 2,327.1**	**$ 69.8**	**$ 381.8**	**$ 2,112.8**	**$ 4,891.5**	**$ 84.5**	**$ 4,976.0**

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	**2025**	2024
Operating activities			
Net income (loss)		**$ 415.0**	$ (296.3)
Adjustments for:			
Depreciation and amortization	4	**414.7**	374.8
Impairment of goodwill	15	**—**	568.0
Impairment of non-financial assets – net		**7.1**	57.3
Share of after-tax profit of equity accounted investees		**(88.3)**	(72.2)
Deferred income taxes		**44.9**	(166.5)
Investment tax credits		**(10.1)**	(14.8)
Equity-settled share-based payments expense		**25.2**	14.8
Defined benefit pension plans		**34.6**	8.3
Other non-current liabilities		**(5.3)**	(9.7)
Derivative financial assets and liabilities – net		**(39.8)**	(12.7)
After-tax gain on disposal of discontinued operations	3	**—**	(16.5)
Gain on remeasurement of previously held equity interest	7	**(72.6)**	—
Other		**(26.0)**	4.3
Changes in non-cash working capital	24	**197.1**	128.1
Net cash provided by operating activities		**$ 896.5**	$ 566.9
Investing activities			
Business combinations, net of cash acquired	2	**$ (308.0)**	$ —
Proceeds from disposal of discontinued operations	3	**—**	275.3
Property, plant and equipment expenditures	14	**(356.2)**	(329.8)
Proceeds from disposal of property, plant and equipment		**19.4**	4.0
Intangible assets expenditures	15	**(87.9)**	(147.9)
Net payments to equity accounted investees		**(19.0)**	(43.9)
Dividends received from equity accounted investees		**28.7**	37.1
Other		**(9.3)**	(10.2)
Net cash used in investing activities		**$ (732.3)**	$ (215.4)
Financing activities			
Net repayment of borrowing under revolving credit facilities	21	**$ (45.0)**	$ (396.7)
Proceeds from long-term debt	21	**331.5**	433.5
Repayment of long-term debt	21	**(321.3)**	(370.4)
Repayment of lease liabilities	21	**(59.9)**	(69.5)
Net proceeds from the issuance of common shares		**67.1**	7.8
Repurchase and cancellation of common shares	10	**(21.3)**	—
Other		**(0.9)**	—
Net cash used in financing activities		**$ (49.8)**	$ (395.3)
Effect of foreign currency exchange differences on cash and cash equivalents		**$ 19.2**	$ (13.7)
Net increase (decrease) in cash and cash equivalents		**$ 133.6**	$ (57.5)
Cash and cash equivalents, beginning of year		**160.1**	217.6
Cash and cash equivalents, end of year		**$ 293.7**	$ 160.1

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 3.

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 13, 2025.

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

Nature of operations

CAE exists to make the world safer. CAE delivers cutting-edge training, simulation, and critical operations solutions to prepare aviation professionals and defence forces for the moments that matter.

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, ground personnel and air traffic controllers 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 airline operations digital solutions;

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

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

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, 2025, 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.

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, 2025, 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, 2025, the average remaining depreciation period for full-flight simulators is 11.1 years (2024 – 11.2 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, 2025, the average remaining amortization period for the capitalized development costs is 6.7 years (2024 - 6.8 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, 2025.

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 prepayment 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 or, in case of a renewed arrangement, at renewal date. 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.

The Company has determined that income taxes arising from the global minimum top-up income tax under Pillar Two tax legislation are income taxes within the scope of IAS 12. The Company accounts for such income taxes as a current tax when it is incurred. The Company has applied a temporary mandatory exception to recognize and disclose information about deferred income tax assets and liabilities arising from jurisdictions implementing the global minimum tax rules.

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
Certain comparative figures in the notes to the consolidated financial statements have been reclassified to conform to the presentation adopted in the current year.

New and amended standards adopted by the Company
Amendments to IAS 1 – Presentation of Financial Statements
In January 2020, the 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.

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

Amendments to IFRS 16 – Leases
In September 2022, the IASB issued amendments to IFRS 16 – *Leases*, which requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. This amendment was applied for the first time on April 1, 2024, but did not have a significant impact on the Company's consolidated financial statements.

Amendments to IAS 7 – Statement of Cash Flows, and IFRS 7 – Financial Instruments: disclosures
In May 2023, the IASB issued amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: disclosure*, which introduces disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any comparative period in the year of initial application of the amendments. This amendment was applied for the first time on April 1, 2024, and the Company has elected to apply the transition relief to its consolidated financial statements.

Disclosure of revenues and expenses for reportable segments – IFRS 8 – Operating Segments
In July 2024, the IFRS Interpretations Committee issued an agenda decision which clarifies certain disclosure requirements under IFRS 8 – *Operating Segments*. The decision highlights the need to disclose certain specified income and expense items if these are included in the measure of segment profit or loss reviewed by the Chief Operating Decision Maker (CODM) or are otherwise regularly provided to the CODM, even if not included in that measure of segment profit or loss. The required disclosures have been made in Note 4 – *Operating segments and geographic information*.

New and amended standards not yet adopted by the Company
Amendments to IFRS 7 – Financial Statements Disclosures and IFRS 9 – Financial Instruments
In May 2024, the IASB issued amendments to IFRS 7 - *Financial Statements Disclosures* and IFRS 9 - *Financial Instruments* to clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system, to clarify and add further guidance for assessing whether a financial asset meets the SPPI criterion, add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), and update the disclosures for equity instruments designated at FVOCI.

These amendments to IFRS 7 and IFRS 9 will be effective for the Company's fiscal period beginning on April 1, 2026, with earlier adoption permitted. The Company continues to evaluate the impact of these amendments on its consolidated financial statements.

IFRS 18 – Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 - *Presentation and Disclosure in Financial Statements* which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1 – *Presentation of Financial Statements* but carries forward many of the requirements from IAS 1. IFRS 18 introduces a defined structure for the income statement, composed of required categories and subtotals, and disclosure requirements for management-defined performance measures.

IFRS 18 will be effective for the Company's fiscal period beginning on April 1, 2027. The Company continues to evaluate the impact of the new standard on its consolidated financial statements.

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 22 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 – BUSINESS COMBINATIONS

SIMCOM Aviation Training

On November 5, 2024, the Company increased its ownership stake in its existing SIMCOM Aviation Training (SIMCOM) joint venture by purchasing an additional interest from Volo Sicuro for a cash consideration of $322.8 million (US$232.3 million), subject to customary adjustments.

As a result, the Company obtained control over SIMCOM's four training centres located in the U.S. providing pilot training across multiple business aviation aircraft platforms. Additionally, CAE and SIMCOM have extended their current exclusive business aviation training services agreement with Flexjet, LLC, a related party of Volo Sicuro, and its affiliates by 5 years, bringing the remaining exclusivity period to 15 years.

Prior to acquiring control, the Company's 50% ownership in SIMCOM was accounted for using the equity method. The change in control provided for the remeasurement of the previously held equity interest in SIMCOM to its fair value. The fair value of the Company's previously held equity interest in SIMCOM was determined by applying a non-controlling discount to the consideration paid on the acquisition date and was valued at $230.6 million. As a result, the Company recorded a net remeasurement gain of $72.6 million (Note 7).

As at March 31, 2025, the determination of the fair value of the net assets acquired and liabilities assumed arising from the SIMCOM acquisition are as follows:

		SIMCOM
Current assets, excluding cash on hand	$	**20.4**
Current liabilities		**(29.4)**
Property, plant and equipment		**135.5**
Right-of-use assets		**128.4**
Intangible assets		**504.8**
Deferred tax		**(23.7)**
Long-term debt, including current portion		**(158.5)**
Non-current liabilities		**(16.5)**
Fair value of net assets acquired, excluding cash acquired	$	**561.0**
Cash acquired		**14.8**
Total purchase consideration	$	**575.8**
Settlement of pre-existing balances with SIMCOM		**(22.4)**
Fair value of the Company's previously held equity interest in SIMCOM		**(230.6)**
Total cash consideration paid on acquisition date	$	**322.8**

The fair value of the acquired intangible assets amounts to $504.8 million and consists of goodwill of $379.6 million (non-deductible for tax purposes), customer relationships of $124.5 million and other intangibles of $0.7 million. The goodwill arising from this acquisition is attributable to the expansion of CAE's customer installed base of business aviation flight simulators, market capacity and expected synergies from combining operations.

The net assets acquired, including intangible assets, of SIMCOM are included in the Civil Aviation segment.

The purchase price allocation is final as at March 31, 2025.

NOTE 3 – DISCONTINUED OPERATIONS

During the fourth quarter of fiscal 2024, the Company closed the sale of its Healthcare business to Madison Industries. At the time of issuance of the consolidated financial statements, the Company is engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments. For additional information, refer to Note 29.

For the year ended March 31, 2024, 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 from discontinued operations are as follows:

		2025		2024
Revenue	**$**	**—**	$	131.7
Expenses		**—**		132.7
Operating loss	**$**	**—**	$	(1.0)
Finance expense		**—**		3.6
Loss before income taxes	**$**	**—**	$	(4.6)
Income tax recovery		**—**		(9.4)
Net income from discontinued operations before after-tax gain on disposal	**$**	**—**	$	4.8
After-tax gain on disposal of discontinued operations		**—**		16.5
Net income from discontinued operations	**$**	**—**	$	21.3

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

		2025		2024
Foreign currency exchange differences on translation of foreign operations	**$**	**—**	$	0.9
Reclassification to income of gains on foreign currency exchange differences		**—**		(2.5)
Income taxes		**—**		(5.4)
Other comprehensive loss from discontinued operations	**$**	**—**	$	(7.0)

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

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 21).

The net cash flows from discontinued operations are as follows:

		2025		2024
Operating activities	**$**	**—**	$	0.4
Investing activities		**—**		261.6
Financing activities		**—**		(1.3)
Net cash flows provided by discontinued operations	**$**	**—**	$	260.7

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, 2025 and 2024, impairments and other gains and losses arising from significant strategic transactions or specific events consist of the gain on fair value remeasurement of SIMCOM (Note 7), the shareholder matters (recorded in selling, general and administrative expenses), the executive management transition costs (recorded in selling, general and administrative expenses), the impairment of goodwill (Note 15) and the impairment of technology and other non-financial assets (Note 5).

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.

Specified items included in the segment profitability measure are as follows:

	Civil Aviation		Defense and Security		Total	
	2025	2024	**2025**	2024	**2025**	2024
External revenue	**$ 2,709.3**	$ 2,435.8	**$ 1,998.6**	$ 1,847.0	**$ 4,707.9**	$ 4,282.8
Depreciation and amortization	**312.4**	272.0	**102.3**	96.7	**414.7**	368.7
Share of after-tax profit of equity accounted investees	**68.3**	60.8	**20.0**	11.4	**88.3**	72.2
Gross profit	**883.6**	867.8	**416.5**	286.7	**1,300.1**	1,154.5
Operating income (loss)	**605.3**	442.0	**123.9**	(627.4)	**729.2**	(185.4)
Adjusted segment operating income	**581.5**	548.9	**150.5**	0.8	**732.0**	549.7

Reconciliation of adjusted segment operating income is as follows:

	Civil Aviation		Defense and Security		Total	
	2025	2024	**2025**	2024	**2025**	2024
Operating income (loss)	**$ 605.3**	$ 442.0	**$ 123.9**	$ (627.4)	**$ 729.2**	$ (185.4)
Restructuring, integration and acquisition costs (Note 6)	**37.8**	106.9	**18.7**	24.5	**56.5**	131.4
Impairments and other gains and losses arising from significant strategic transactions or specific events:						
Gain on fair value remeasurement of SIMCOM (Note 7)	**(72.6)**	—	**—**	—	**(72.6)**	—
Shareholder matters	**6.3**	—	**4.3**	—	**10.6**	—
Executive management transition costs	**4.7**	—	**3.6**	—	**8.3**	—
Impairment of goodwill (Note 15)	**—**	—	**—**	568.0	**—**	568.0
Impairment of technology and other non-financial assets (Note 5)	**—**	—	**—**	35.7	**—**	35.7
Adjusted segment operating income	**$ 581.5**	$ 548.9	**$ 150.5**	$ 0.8	**$ 732.0**	$ 549.7

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:

	2025	2024
Civil Aviation	**$ 296.3**	$ 335.3
Defense and Security	**147.8**	128.7
Discontinued operations (Note 3)	**—**	13.7
Total capital expenditures	**$ 444.1**	$ 477.7

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:

	2025	2024
Assets employed		
Civil Aviation	**$ 7,263.4**	$ 6,131.8
Defense and Security	**3,000.6**	2,869.3
Assets not included in assets employed by segment	**949.8**	833.0
Total assets	**$ 11,213.8**	$ 9,834.1
Liabilities employed		
Civil Aviation	**$ 1,369.1**	$ 1,260.1
Defense and Security	**1,009.3**	828.1
Liabilities not included in liabilities employed by segment	**3,859.4**	3,443.3
Total liabilities	**$ 6,237.8**	$ 5,531.5

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

	Civil Aviation		Defense and Security		Total	
	2025	2024	**2025**	2024	**2025**	2024
Products	**$ 963.7**	$ 786.6	**$ 907.7**	$ 708.7	**$ 1,871.4**	$ 1,495.3
Training, software and services	**1,745.6**	1,649.2	**1,090.9**	1,138.3	**2,836.5**	2,787.5
Total external revenue	**$ 2,709.3**	$ 2,435.8	**$ 1,998.6**	$ 1,847.0	**$ 4,707.9**	$ 4,282.8

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.

	2025	2024
External revenue		
Canada	**$ 474.2**	$ 460.7
United States	**2,241.8**	2,076.3
United Kingdom	**281.6**	271.1
Rest of Americas	**133.0**	98.8
Europe	**663.6**	645.1
Asia	**759.9**	566.1
Oceania and Africa	**153.8**	164.7
	$ 4,707.9	$ 4,282.8

	2025	2024
Non-current assets other than financial instruments, deferred tax assets and employee benefits assets		
Canada	**$ 1,541.7**	$ 1,527.7
United States	**4,534.7**	3,623.5
United Kingdom	**399.0**	360.5
Rest of Americas	**221.8**	201.9
Europe	**1,162.3**	985.5
Asia	**610.8**	532.0
Oceania and Africa	**188.2**	108.9
	$ 8,658.5	$ 7,340.0

NOTE 5 – OTHER (GAINS) AND LOSSES

	2025	2024
Impairment of technology and other non-financial assets	**$ —**	$ 35.7
Net gain on foreign currency exchange differences	**(1.4)**	(2.4)
Remeasurement of royalty obligations	**(2.9)**	(6.1)
Settlement gain on annuity purchase transaction (Note 22)	**—**	(5.2)
Gain on disposal of property, plant and equipment	**(6.4)**	—
Other	**(2.6)**	5.9
Other (gains) and losses	**$ (13.3)**	$ 27.9

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

		2025		2024
Integration and acquisition costs	**$**	**11.5**	$	79.9
Severances and other employee related costs		**33.9**		31.2
Impairment of non-financial assets – net		**5.2**		19.2
Other costs		**5.9**		1.1
Total restructuring, integration and acquisition costs	**$**	**56.5**	$	131.4

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

In the second quarter of fiscal 2025, the integration activities associated with the fiscal 2022 acquisition of Sabre's AirCentre airline operations portfolio (AirCentre) were completed. For the year ended March 31, 2025, restructuring, integration and acquisition costs associated with AirCentre amounted to $15.9 million (2024 – $76.8 million).

NOTE 7 - GAIN ON REMEASUREMENT OF PREVIOUSLY HELD EQUITY INTEREST

Gain on fair value remeasurement of SIMCOM

On November 5, 2024, the Company increased its ownership stake in its existing SIMCOM joint venture, obtaining control of the entity. Prior to acquiring control, the Company's 50% ownership in SIMCOM was accounted for using the equity method. The change in control provided for the remeasurement of the previously held equity interest in SIMCOM to its fair value with any difference compared to the carrying value to be recognized as a gain or loss in the income statement, as well as the derecognition of a portion of Civil Aviation's goodwill, based on the relative fair value of the previously held equity interest in SIMCOM compared to the cash generating unit included in the Civil Aviation segment. As a result, the Company recorded a net remeasurement gain of $72.6 million, including the derecognition of goodwill and associated cumulative foreign exchange differences of $29.4 million and $7.7 million, respectively, and other costs of $5.3 million.

NOTE 8 – FINANCE EXPENSE – NET

		2025		2024
Finance expense:				
Long-term debt (other than lease liabilities)	**$**	**156.0**	$	160.4
Lease liabilities		**43.1**		26.8
Other		**42.8**		42.3
Borrowing costs capitalized		**(5.2)**		(7.0)
Finance expense	**$**	**236.7**		222.5
Finance income:				
Loans and investment in finance leases	**$**	**(13.8)**	$	(11.0)
Other		**(7.4)**		(6.5)
Finance income	**$**	**(21.2)**	$	(17.5)
Finance expense – net	**$**	**215.5**	$	205.0

NOTE 9 – INCOME TAXES

Income tax expense

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

		2025		2024
Earnings (loss) before income taxes	**$**	**513.7**	$	(390.4)
Canadian statutory income tax rates		**26.5 %**		26.5 %
Income taxes at Canadian statutory rates	**$**	**136.2**	$	(103.5)
Effect of differences in tax rates in other jurisdictions		**1.8**		7.4
Non-deductible impairment of goodwill		**—**		41.6
Tax benefits not previously recognized and unrecognized tax benefits		**(6.8)**		18.3
Non-taxable gain on fair value remeasurement of SIMCOM		**(21.9)**		—
Non-taxable revenues		**—**		(4.1)
Tax impact on after tax profit of equity accounted investees		**(18.5)**		(18.8)
Prior years' tax adjustments		**2.8**		(14.4)
Other		**5.1**		0.7
Income tax expense (recovery)	**$**	**98.7**	**$**	(72.8)
Effective tax rate		**19 %**		19 %

The Company's applicable tax rate corresponds to the combined Canadian tax rates applicable in the provinces where the Company operates.

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

		2025		2024
Current income tax expense :				
Current year	**$**	**56.7**	$	74.0
Prior years' tax adjustments		**(2.7)**		68.2
Deferred income tax expense (recovery):				
Tax benefit not previously recognized used to reduce the deferred tax expense		**(6.8)**		18.3
Origination and reversal of temporary differences		**51.5**		(233.3)
Income tax expense (recovery)	**$**	**98.7**	$	(72.8)

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, 2025, movements in temporary differences are as follows:

	Balance beginning of year	Recognized in income	Recognized in OCI	Recognized in equity	Business combinations (Note 2)	Foreign currency exchange differences	**Balance end of year**
Non-capital loss carryforwards	$ 142.5	$ (61.3)	$ —	$ —	$ 3.3	$ 5.2	**$ 89.7**
Unclaimed research & development expenditures	162.1	59.0	—	—	—	6.7	**227.8**
Investment tax credits	(73.8)	(3.0)	—	—	—	—	**(76.8)**
Property, plant and equipment and right-of-use of assets	(154.1)	9.3	—	—	(11.1)	(12.1)	**(168.0)**
Intangible assets	(39.0)	(59.7)	—	—	(26.3)	(1.8)	**(126.8)**
Amounts not currently deductible including interest limitation	76.9	22.7	—	2.4	6.5	2.2	**110.7**
Government participation	86.4	7.2	—	—	—	—	**93.6**
Other	(4.3)	(18.9)	20.3	—	3.9	(0.1)	**0.9**
Net deferred tax assets	$ 196.7	$ (44.7)	$ 20.3	$ 2.4	$ (23.7)	$ 0.1	**$ 151.1**

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 including interest limitation	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.

As at March 31, 2025, net deferred tax assets of $148.7 million (2024 – $199.4 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, 2025, a deferred income tax liability on taxable temporary differences of $3,456.4 million (2024 – $3,065.5 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
2026-2030	$ 23.2	$ 8.4
2031-2045	23.4	86.9
No expiry date	167.4	265.6
	$ 214.0	$ 360.9

As at March 31, 2025, the Company has $130.4 million (2024 – $139.6 million) of deductible temporary differences for which deferred tax assets have not been recognized. The Company also has $156.2 million (2024 – $180.2 million) of capital losses for which deferred tax assets have not been recognized with no expiry date.

Global minimum tax (Pillar Two)
As at March 31, 2025, various countries where the Company operates have enacted the global minimum top-up income tax under Pillar Two tax legislation into domestic tax legislation. The top-up income tax relates to the Company's operations in the United Arab Emirates and Hungary where the statutory income tax rates are below the 15% determined by the Pillar Two rules. For the year ended March 31, 2025, the Company recognized a current income tax expense related to the Pillar Two tax of $2.6 million.

NOTE 10 – 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, 2025, the number of common shares issued and fully paid was 320,265,108 (2024 – 318,312,233).

Repurchase and cancellation of common shares

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

During the year ended March 31, 2025, the Company repurchased and cancelled a total of856,230 common shares under the NCIB, at a weighted average price of $24.85 per common share, for a total consideration of $21.3 million.

Earnings per share computation

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

	2025	2024
Weighted average number of common shares outstanding	**319,072,751**	318,191,697
Effect of dilutive stock options and equity-settled share-based payments	**645,501**	—
Weighted average number of common shares outstanding for diluted earnings per share calculation	**319,718,252**	318,191,697

As at March 31, 2025, stock options to acquire 1,637,584 common shares (2024 – 6,459,922) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

NOTE 11 – ACCOUNTS RECEIVABLE

Details of accounts receivable are as follows:

		2025		2024
Current trade receivables	**$**	**256.3**	$	232.3
Past due trade receivables				
1-30 days		**68.9**		132.1
31-60 days		**18.1**		33.7
61-90 days		**15.1**		16.0
Greater than 90 days		**83.6**		59.7
Total trade receivables	**$**	**442.0**	$	473.8
Investment in finance leases (Note 16)		**16.0**		11.9
Receivables from related parties (Note 17)		**61.2**		58.2
Other receivables		**114.1**		101.7
Credit loss allowances		**(21.3)**		(20.9)
Total accounts receivable	**$**	**612.0**	$	624.7

Changes in credit loss allowances are as follows:

		2025		2024
Credit loss allowances, beginning of year	**$**	**(20.9)**	$	(25.5)
Additions		**(3.4)**		(8.3)
Amounts charged off		**3.7**		9.4
Unused amounts reversed		**0.3**		2.2
Disposal of discontinued operations (Note 3)		**—**		0.9
Foreign currency exchange differences		**(1.0)**		0.4
Credit loss allowances, end of year	**$**	**(21.3)**	$	(20.9)

NOTE 12 – BALANCE FROM CONTRACTS WITH CUSTOMERS

Net contract liabilities are as follows:

		2025		2024
Contract assets - current	**$**	**482.2**	$	537.6
Contract assets - non-current (Note 18)		**38.8**		41.6
Contract liabilities - current		**(1,001.6)**		(911.7)
Contract liabilities - non-current (Note 23)				
		(126.8)		(99.8)
Net contract liabilities	**$**	**(607.4)**	$	(432.3)

During the year ended March 31, 2025, the Company recognized revenue of $740.0 million (2024 – $712.6 million) that was included in the contract liability balance at the beginning of the year.

During the year ended March 31, 2025, the Company recognized an increase in revenue of $45.7 million (2024 – reduction of $86.6 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 and changes in transaction price.

Remaining performance obligations

As at March 31, 2025, the amount of the revenues expected to be realized in future years from performance obligations that are unsatisfied, or partially unsatisfied, was $8,529.5 million. The Company expects to recognize approximately 33% of these remaining performance obligations as revenue by March 31, 2026, an additional 20% by March 31, 2027 and the balance thereafter.

NOTE 13 – INVENTORIES

		2025		2024
Work in progress	**$**	**348.4**	$	356.5
Raw materials, supplies and manufactured products		**246.6**		217.1
Total inventories	**$**	**595.0**	$	573.6

During the year ended March 31, 2025, the use of inventory recognized in cost of sales amounted to $557.2 million (2024 - $485.1 million), the impairment of inventories to net realizable value amounted to $2.1 million (2024 – $2.5 million) and inventory recognized in discontinued operations amounted to nil (2024 – $55.8 million).

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

		Buildings and land		Simulators		Machinery and equipment		Aircraft		Assets under construction		Total
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 3)		(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
Additions		18.8		4.7		9.9		17.5		305.3		356.2
Business combinations (Note 2)		72.1		22.4		4.3		—		36.7		135.5
Disposals		(0.2)		—		(0.2)		(12.1)		(0.1)		(12.6)
Depreciation		(30.1)		(148.2)		(20.2)		(6.3)		—		(204.8)
Impairment		(0.8)		(0.4)		(0.2)		(0.8)		—		(2.2)
Purchase of assets under lease (Note 16)		—		—		—		9.1		—		9.1
Transfers and others		52.9		262.6		6.6		(3.8)		(294.4)		23.9
Foreign currency exchange differences		23.7		128.2		2.4		5.1		9.4		168.8
Net book value as at March 31, 2025	**$**	**523.4**	**$**	**1,997.1**	**$**	**64.2**	**$**	**88.3**	**$**	**316.5**	**$**	**2,989.5**

	Buildings and land	Simulators	Machinery and equipment	Aircraft	Assets under construction	Total
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
Cost	$ 842.5	$ 3,158.7	$ 241.6	$ 129.4	$ 316.5	$ 4,688.7
Accumulated depreciation and impairment	(319.1)	(1,161.6)	(177.4)	(41.1)	—	(1,699.2)
Net book value as at March 31, 2025	**$ 523.4**	**$ 1,997.1**	**$ 64.2**	**$ 88.3**	**$ 316.5**	**$ 2,989.5**

During the year ended March 31, 2025, depreciation of $204.0 million (2024 – $180.9 million) has been recorded in cost of sales, $0.8 million (2024 – $0.5 million) in selling, general and administrative expenses and nil (2024 – $1.4 million) in net income from discontinued operations.

NOTE 15 – INTANGIBLE ASSETS

	Goodwill	Capitalized development costs	Customer relationships	Licenses	Technology, software and ERP	Other intangible assets	Total
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 3)	(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
Additions – internal development	—	67.0	—	—	19.6	—	86.6
Additions – acquired separately	—	—	—	1.2	—	0.1	1.3
Additions – non cash	—	—	—	—	—	6.4	6.4
Business combinations (Note 2 and 7)	350.2	0.7	124.5	—	—	—	475.4
Amortization	—	(35.8)	(44.5)	(17.2)	(33.8)	(1.2)	(132.5)
Impairment	—	(2.1)	—	—	—	—	(2.1)
Transfers and others	—	(0.5)	—	—	(4.8)	0.1	(5.2)
Foreign currency exchange differences	118.2	3.8	32.5	5.1	9.1	0.5	169.2
Net book value as at March 31, 2025	**$ 2,439.7**	**$ 320.3**	**$ 617.7**	**$ 235.4**	**$ 243.5**	**$ 14.4**	**$ 3,871.0**

	Goodwill	Capitalized development costs	Customer relationships	Licenses	Technology, software and ERP	Other intangible assets	Total
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
Cost	$ 3,040.3	$ 599.1	$ 955.6	$ 337.4	$ 528.6	$ 45.2	$ 5,506.2
Accumulated amortization and impairment	(600.6)	(278.8)	(337.9)	(102.0)	(285.1)	(30.8)	(1,635.2)
Net book value as at March 31, 2025	**$ 2,439.7**	**$ 320.3**	**$ 617.7**	**$ 235.4**	**$ 243.5**	**$ 14.4**	**$ 3,871.0**

During the year ended March 31, 2025, amortization of $97.7 million (2024 – $92.3 million) has been recorded in cost of sales, $34.8 million (2024 – $32.8 million) in research and development expenses, nil (2024 – $0.2 million) in selling, general and administrative expenses and nil (2024 – $4.1 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, 2023	$ 1,125.6	$ 1,417.3	$ 120.4	$ 2,663.3
Disposal of discontinued operations (Note 3)	—	—	(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
Business combinations (Note 2 and 7)	350.2	—	—	350.2
Foreign currency exchange differences	69.8	48.4	—	118.2
Net book value as at March 31, 2025	**$ 1,540.8**	**$ 898.9**	**$ —**	**$ 2,439.7**

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 2025. 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 8.4% to 9.7%.

During the year ended March 31, 2025, the estimated recoverable amount of each CGU exceeded their carrying amount. As a result, there was no impairment identified.

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 year ended March 31, 2025, 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 in any of our CGUs or group of CGUs.

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.

NOTE 16 – LEASES

Leases as lessee

Right-of-use assets

	Buildings and land	Simulators	Machinery and equipment	Aircraft	Total
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 3)	(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
Additions and remeasurements	135.4	—	18.0	—	153.4
Business combinations (Note 2)	22.4	106.0	—	—	128.4
Depreciation	(45.8)	(13.3)	(5.2)	(1.0)	(65.3)
Impairment	(0.7)	—	—	—	(0.7)
Purchase of assets under lease (Note 14)	—	—	—	(9.1)	(9.1)
Transfers and others	(0.9)	—	0.7	—	(0.2)
Foreign currency exchange differences	29.0	6.5	0.2	—	35.7
Net book value as at March 31, 2025	**$ 613.3**	**$ 151.1**	**$ 23.6**	**$ —**	**$ 788.0**

During the year ended March 31, 2025, depreciation of $64.0 million (2024 – $51.4 million) has been recorded in cost of sales, $1.3 million (2024 – $1.5 million) in selling, general and administrative expenses and nil (2024 – $0.6 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, 2025, expenses of $21.0 million (2024 – $16.4 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, 2025, the net book value of simulators leased under operating leases to third parties was $115.9 million (2024 – $130.4 million).

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

	2025	2024
Less than 1 year	**$ 49.1**	$ 63.0
Between 1 and 2 years	**39.3**	51.7
Between 2 and 3 years	**30.7**	43.3
Between 3 and 4 years	**17.0**	35.0
Between 4 and 5 years	**13.4**	21.4
More than 5 years	**14.0**	33.4
Total undiscounted lease payments receivable	**$ 163.5**	$ 247.8

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

		2025		2024
Less than 1 year	**$**	**23.9**	$	16.4
Between 1 and 2 years		**21.3**		22.8
Between 2 and 3 years		**18.2**		17.4
Between 3 and 4 years		**15.9**		16.0
Between 4 and 5 years		**16.4**		16.0
More than 5 years		**118.4**		128.9
Total undiscounted lease payments receivable	**$**	**214.1**	$	217.5
Unearned finance income		**(56.3)**		(56.9)
Discounted unguaranteed residual values of leased assets		**(15.8)**		(12.8)
Total investment in finance leases	**$**	**142.0**	$	147.8
Current portion (Note 11)		**16.0**		11.9
Non-current portion (Note 18)	**$**	**126.0**	$	135.9

NOTE 17 – INVESTMENT IN EQUITY ACCOUNTED INVESTEES

Net book value as at March 31, 2023	$	530.7
Cash contributions to equity accounted investees		19.9
Non-cash contributions to equity accounted investees		6.0
Share of after-tax profit before elimination of unrealized profits		80.7
Elimination of unrealized profits on transactions with equity accounted investees – net		(8.5)
Dividends received from equity accounted investees		(37.1)
Transfers and others		1.1
Foreign currency exchange differences		(4.0)
Net book value as at March 31, 2024	$	588.8
Non-cash contributions to equity accounted investees		13.0
Acquisition of control of SIMCOM (Note 2)		(131.0)
Share of after-tax profit before elimination of unrealized profits		96.2
Elimination of unrealized profits on transactions with equity accounted investees – net		(7.8)
Dividends received from equity accounted investees		(28.7)
Dividends declared but not yet received from equity accounted investees		(7.2)
Transfers and others		0.7
Foreign currency exchange differences		35.1
Net book value as at March 31, 2025	**$**	**559.1**

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, 2025, the Company's unrecognized share of profit in joint ventures was $1.8 million (2024 – $2.0 million). As at March 31, 2025, the cumulative unrecognized share of losses for these joint ventures was $8.5 million (2024 – $10.3 million) and the cumulative unrecognized share of comprehensive loss of these joint ventures was $7.6 million (2024 –$9.3 million).

The Company’s outstanding balances with its equity accounted investees are as follows:

		2025		2024
Accounts receivable (Note 11)	**$**	**63.2**	$	58.8
Contract assets		**22.3**		34.2
Other non-current assets		**39.5**		22.9
Accounts payable and accrued liabilities (Note 19)		**14.9**		4.7
Contract liabilities		**57.5**		64.9

The Company’s transactions with its equity accounted investees are as follows:

		2025		2024
Revenue	**$**	**278.7**	$	258.7
Purchases		**1.4**		6.0
Other income		**2.4**		0.6

NOTE 18 – OTHER NON-CURRENT ASSETS

		2025		2024
Contract assets (Note 12)	**$**	**38.8**	$	41.6
Advance payments for property, plant and equipment		**3.3**		30.0
Investment in finance leases (Note 16)				
		126.0		135.9
Non-current receivables		**94.7**		61.5
Investment tax credits		**303.4**		268.6
Other		**91.6**		64.7
	$	**657.8**	$	602.3

NOTE 19 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2025		2024
Accounts payable trade	**$**	**701.0**	$	561.7
Accrued and other liabilities		**463.6**		458.0
Amount due to related parties (Note 17)		**14.9**		4.7
Current portion of royalty obligations		**11.3**		10.9
	$	**1,190.8**	$	1,035.3

NOTE 20 – PROVISIONS

Changes in provisions are as follows:

		Restoration and simulator removal		Restructuring		Legal		Warranties		Onerous contracts and other		Total
Provisions, as at March 31, 2024	$	9.7	$	15.3	$	0.3	$	14.6	$	16.7	$	56.6
Additions		—		37.7		4.6		16.2		5.2		63.7
Business combinations (Note 2)		0.6		—		—		—		—		0.6
Amount used		—		(40.4)		—		(15.4)		(10.6)		(66.4)
Reversal of unused amounts		(0.1)		(4.6)		—		—		(2.0)		(6.7)
Foreign currency exchange differences		0.7		(0.1)		0.1		—		0.6		1.3
Transfers and others		0.1		(0.3)		(0.4)		—		0.3		(0.3)
Provisions, as at March 31, 2025	**$**	**11.0**	**$**	**7.6**	**$**	**4.6**	**$**	**15.4**	**$**	**10.2**	**$**	**48.8**
Current portion	**$**	**—**	**$**	**7.6**	**$**	**4.6**	**$**	**12.6**	**$**	**9.7**	**$**	**34.5**
Non-current portion	**$**	**11.0**	**$**	**—**	**$**	**—**	**$**	**2.8**	**$**	**0.5**	**$**	**14.3**

NOTE 21 – DEBT FACILITIES

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

	Notional amount	Repayment period	2025 Current	2025 Non-current	2024 Current	2024 Non-current
Unsecured senior notes						
U.S. dollar, fixed rate - 3.60% to 4.90%	**US$ 792.0**	**2025-2034**	**$ 20.0**	**$ 1,114.7**	$ 190.5	$ 1,068.8
Canadian dollar, Series 1, fixed rate - 5.54%	**$ 400.0**	**2028**	**—**	**398.1**	—	397.5
Canadian dollar, fixed rate - 4.15%	**$ 8.6**	**2025-2027**	**2.9**	**5.7**	12.9	8.6
Term loans						
U.S. dollar, variable rate	**US$ 325.0**	**2025-2026**	**178.7**	**288.3**	—	168.9
Canadian dollar, variable rate	**$ 18.3**	**2025-2028**	**5.6**	**12.6**	5.6	18.3
Other		**2025-2026**	**33.5**	**—**	14.3	32.8
Lease liabilities						
U.S. dollar		**2025-2071**	**92.0**	**432.0**	30.2	368.2
Other		**2025-2054**	**29.1**	**239.0**	25.0	128.5
R&D obligations						
Canadian dollar		**2025-2048**	**37.2**	**581.0**	30.4	543.8
Revolving credit facilities						
U.S. dollar, variable rate			**—**	**—**	—	—
Canadian dollar, variable rate			**—**	**—**	—	30.0
Total long-term debt			**$ 399.0**	**$ 3,071.4**	$ 308.9	$ 2,765.4

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

Term loan
In December 2024, the Company entered into an unsecured term loan agreement with a syndicated group of banks amounting to US$200.0 million maturing in June 2026, bearing interest at a variable rate.

Unsecured senior notes
In December 2024, the Company repaid unsecured senior notes of US$127.0 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, 2023	$ 1,300.7	$ 564.4	$ 455.9	$ 496.1	$ 433.0	$ 3,250.1
Changes from financing cash flows						
Net repayment 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 remeasurements of lease liabilities	—	—	177.2	—	—	177.2
Disposal of discontinued operations (Note 3)	—	—	(12.2)	—	—	(12.2)
Accretion	—	—	—	27.9	—	27.9
Transfer from royalty obligations (Note 3)	—	—	—	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
Changes from financing cash flows						
Net repayment from borrowing under revolving credit facilities	—	—	—	—	(45.0)	(45.0)
Proceeds from long-term debt	—	285.8	—	45.7	—	331.5
Repayment of long-term debt	(216.1)	(72.6)	—	(32.6)	—	(321.3)
Repayment of lease liabilities	—	—	(59.9)	—	—	(59.9)
Total changes from financing cash flows	$ (216.1)	$ 213.2	$ (59.9)	$ 13.1	$ (45.0)	$ (94.7)
Non-cash changes						
Business combinations (Note 2)	—	48.5	110.0	—	—	158.5
Foreign currency exchange differences	78.1	16.3	36.7	—	15.0	146.1
Additions and remeasurements of lease liabilities	—	—	153.4	—	—	153.4
Accretion	—	—	—	32.5	—	32.5
Other	1.1	0.8	—	(1.6)	—	0.3
Total non-cash changes	$ 79.2	$ 65.6	$ 300.1	$ 30.9	$ 15.0	$ 490.8
Net book value as at March 31, 2025	**$ 1,541.4**	**$ 518.7**	**$ 792.1**	**$ 618.2**	**$ —**	**$ 3,470.4**

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, 2025, the Company is in compliance with all of its financial covenants, as amended from time to time.

NOTE 22 – 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, 2025, the Company has issued letters of credit totalling $63.9 million (2024 – $54.3 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:

		2025		2024
Funded defined benefit pension obligations	**$**	**599.2**	$	476.3
Fair value of plan assets		**585.9**		542.0
Funded defined benefit pension obligations (surplus) – net	**$**	**13.3**	$	(65.7)
Unfunded defined benefit pension obligations		**109.2**		98.7
Employee benefits obligations - net	**$**	**122.5**	$	33.0
Employee benefit assets	**$**	**(11.6)**	$	(65.7)
Employee benefit obligations	**$**	**134.1**	$	98.7

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

			2025			2024
	Canadian	**Foreign**	**Total**	Canadian	Foreign	Total
Pension obligations, beginning of year	**$ 471.3**	**$ 5.0**	**$ 476.3**	$ 585.5	$ 5.2	$ 590.7
Current service cost	**32.9**	**—**	**32.9**	31.9	—	31.9
Interest cost	**22.4**	**0.3**	**22.7**	22.5	0.3	22.8
Past service cost	**—**	**—**	**—**	2.9	—	2.9
Actuarial loss (gain) arising from:						
Experience adjustments	**43.3**	**0.1**	**43.4**	(3.0)	—	(3.0)
Economic assumptions	**23.3**	**(0.1)**	**23.2**	4.6	—	4.6
Demographic assumptions	**—**	**—**	**—**	—	(0.1)	(0.1)
Employee contributions	**12.9**	**—**	**12.9**	9.5	—	9.5
Pension benefits paid	**(12.3)**	**(0.3)**	**(12.6)**	(14.0)	(0.4)	(14.4)
Settlements	**—**	**—**	**—**	(168.9)	—	(168.9)
Net transfers	**—**	—	**—**	0.3	—	0.3
Foreign currency exchange differences	**—**	**0.4**	**0.4**	—	—	—
Pension obligations, end of year	**$ 593.8**	**$ 5.4**	**$ 599.2**	$ 471.3	$ 5.0	$ 476.3
Fair value of plan assets, beginning of year	**$ 535.0**	**$ 7.0**	**$ 542.0**	$ 635.3	$ 6.4	$ 641.7
Interest income	**26.0**	**0.4**	**26.4**	25.1	0.3	25.4
Return on plan assets, excluding amounts included in interest income	**14.3**	**(0.1)**	**14.2**	18.2	0.3	18.5
Employer contributions	**1.8**	**—**	**1.8**	24.9	0.3	25.2
Employee contributions	**12.9**	**—**	**12.9**	9.5	—	9.5
Pension benefits paid	**(12.3)**	**(0.3)**	**(12.6)**	(14.0)	(0.4)	(14.4)
Settlements	**1.4**	**—**	**1.4**	(163.5)	—	(163.5)
Net transfers	**—**	—	**—**	0.3	—	0.3
Administrative costs	**(0.8)**	**—**	**(0.8)**	(0.8)	—	(0.8)
Foreign currency exchange differences	**—**	**0.6**	**0.6**	—	0.1	0.1
Fair value of plan assets, end of year	**$ 578.3**	**$ 7.6**	**$ 585.9**	$ 535.0	$ 7.0	$ 542.0

During the year ended March 31, 2025, an actuarial funding valuation report was completed by an independent actuary for a funded defined benefit pension plan in Canada. As the plan funding had reached the limit prescribed by the Canadian Income Tax Act, the Company was prohibited from making employer contributions to the plan from January 1, 2024 to December 31, 2024.

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:

			2025			2024
	Canadian	**Foreign**	**Total**	Canadian	Foreign	Total
Pension obligations, beginning of year	**$ 86.2**	**$ 12.5**	**$ 98.7**	$ 81.3	$ 10.5	$ 91.8
Current service cost	**4.1**	**0.7**	**4.8**	3.9	1.3	5.2
Interest cost	**4.0**	**0.4**	**4.4**	3.9	0.5	4.4
Past service cost	**3.6**	**(1.2)**	**2.4**	—	—	—
Actuarial loss (gain) arising from:						
Experience adjustments	**(0.2)**	**(1.0)**	**(1.2)**	(0.4)	0.4	—
Economic assumptions	**2.8**	**0.3**	**3.1**	0.5	0.5	1.0
Pension benefits paid	**(3.1)**	**(0.7)**	**(3.8)**	(3.0)	(0.7)	(3.7)
Foreign currency exchange differences	**—**	**0.8**	**0.8**	—	—	—
Pension obligations, end of year	**$ 97.4**	**$ 11.8**	**$ 109.2**	$ 86.2	$ 12.5	$ 98.7

Net pension cost is as follows:

			2025			2024
	Canadian	**Foreign**	**Total**	Canadian	Foreign	Total
Funded plans						
Current service cost	**$ 32.9**	**$ —**	**$ 32.9**	$ 31.9	$ —	$ 31.9
Interest cost	**22.4**	**0.3**	**22.7**	22.5	0.3	22.8
Interest income	**(26.0)**	**(0.4)**	**(26.4)**	(25.1)	(0.3)	(25.4)
Past service cost	**—**	**—**	**—**	2.9	—	2.9
Settlement gain	**(1.4)**	—	**(1.4)**	(5.4)	—	(5.4)
Administrative cost	**0.8**	**—**	**0.8**	0.8	—	0.8
Net pension cost of funded plans	**$ 28.7**	**$ (0.1)**	**$ 28.6**	$ 27.6	$ —	$ 27.6
Unfunded plans						
Current service cost	**$ 4.1**	**$ 0.7**	**$ 4.8**	$ 3.9	$ 1.3	$ 5.2
Interest cost	**4.0**	**0.4**	**4.4**	3.9	0.5	4.4
Past service cost	**3.6**	**(1.2)**	**2.4**	—	—	—
Net pension cost of unfunded plans	**$ 11.7**	**$ (0.1)**	**$ 11.6**	$ 7.8	$ 1.8	$ 9.6
Total net pension cost	**$ 40.4**	**$ (0.2)**	**$ 40.2**	$ 35.4	$ 1.8	$ 37.2

During the year ended March 31, 2025, pension costs of $21.7 million (2024 – $18.1 million) have been charged in cost of sales, $5.1 million (2024 – $4.5 million) in research and development expenses, $10.3 million (2024 – $12.8 million) in selling, general and administrative expenses, a gain of $0.4 million (2024 – costs of $3.2 million) in restructuring, integration and acquisition costs, $0.7 million (2024 – $1.8 million) in finance expense and $2.8 million (2024 – $2.6 million) were capitalized. During the year ended March 31, 2024, a gain of $0.4 million has been recognized in net income from discontinued operations.

As a result of an annuity purchase transaction, the Company recognized a settlement gain of $5.4 million during the year ended March 31, 2024, 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:

	2025			2024		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Canadian plans						
Equity funds						
Canadian	**$ —**	**$ 43.5**	**$ 43.5**	$ —	$ 35.0	$ 35.0
Foreign	**—**	**157.8**	**157.8**	—	130.8	130.8
Bond funds						
Government	**—**	**135.3**	**135.3**	—	117.4	117.4
Corporate	**—**	**63.4**	**63.4**	—	58.7	58.7
Private and property investments	**—**	**151.6**	**151.6**	—	180.9	180.9
Cash and cash equivalents	**—**	**14.6**	**14.6**	—	9.9	9.9
Other	**—**	**12.1**	**12.1**	—	2.3	2.3
Total Canadian plans	**$ —**	**$ 578.3**	**$ 578.3**	$ —	$ 535.0	$ 535.0
Foreign plans						
Equity instruments	**$ 0.4**	**$ —**	**$ 0.4**	$ 2.5	$ —	$ 2.5
Debt instruments						
Corporate	**6.9**	**—**	**6.9**	3.4	—	3.4
Other	**—**	**0.3**	**0.3**	—	1.1	1.1
Total Foreign plans	**$ 7.3**	**$ 0.3**	**$ 7.6**	$ 5.9	$ 1.1	$ 7.0
Total plans	**$ 7.3**	**$ 578.6**	**$ 585.9**	$ 5.9	$ 536.1	$ 542.0

As at March 31, 2025 and March 31, 2024, there were no common shares of the Company in the pension plan assets.

Significant assumptions (weighted average) used are as follows:

	Canadian		Foreign	
	2025	2024	**2025**	2024
Pension obligations as at March 31:				
Discount rate	**4.71 %**	5.00 %	**4.25 %**	4.43 %
Compensation rate increases	**3.67 %**	3.69 %	**2.48 %**	2.68 %
Net pension cost for years ended March 31:				
Discount rate	**5.00 %**	5.05 %	**4.43 %**	4.70 %
Compensation rate increases	**3.69 %**	3.66 %	**2.68 %**	2.54 %

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, 2025			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	**23.9**	**22.5**	**26.3**	**25.0**
Germany	Heubeck RT2018G	**23.8**	**21.0**	**26.6**	**24.4**
United Kingdom	S4PFA M CMI 2023	**22.6**	**21.2**	**24.9**	**23.4**
United States	CPM private tables	**25.1**	**23.7**	**26.5**	**25.2**

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, 2025, the weighted average duration of the defined benefit obligation is 18.9 years.

The impact on the defined benefit obligation as a result of a 0.25% change in the significant assumptions as at March 31, 2025 are as follows:

	Funded plans		Unfunded plans		
	Canadian	Foreign	Canadian	Foreign	Total
Discount rate:					
Increase	$ (27.9)	$ (0.1)	$ (2.5)	$ (0.3)	$ (30.8)
Decrease	30.2	0.1	2.7	0.4	33.4
Compensation rate:					
Increase	11.1	—	0.5	—	11.6
Decrease	(10.6)	—	(0.5)	—	(11.1)

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	$ 20.8	$ —	$ 20.8
Expected benefits paid in unfunded plans	3.0	0.8	3.8

NOTE 23 – OTHER NON-CURRENT LIABILITIES

	2025	2024
Contract liabilities (Note 12)	$ 126.8	$ 99.8
Share-based payments liabilities (Note 26)	40.3	51.3
Royalty obligations	66.1	74.4
Other	35.2	30.0
	$ 268.4	$ 255.5

NOTE 24 – SUPPLEMENTARY CASH FLOWS INFORMATION

Changes in non-cash working capital are as follows:

	2025	2024
Accounts receivable	$ 76.4	$ (10.7)
Contract assets	77.1	153.0
Inventories	(11.0)	(76.3)
Prepayments	(10.2)	(11.2)
Income taxes	(53.8)	30.2
Accounts payable and accrued liabilities	54.1	11.0
Provisions	(9.7)	14.2
Contract liabilities	74.2	17.9
	$ 197.1	$ 128.1

Supplemental information:

	2025	2024
Interest paid	$ 201.7	$ 189.7
Interest received	20.9	17.1
Income taxes paid	101.4	69.7

NOTE 25 – 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	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
Balances, beginning of year	**$ 174.5**	$ 182.8	**$ (19.2)**	$ (14.3)	**$ (1.3)**	$ (1.3)	**$ 154.0**	$ 167.2
Other comprehensive income (loss)	**243.2**	(8.3)	**(15.4)**	(4.9)	**—**	—	**227.8**	(13.2)
Balances, end of year	**$ 417.7**	$ 174.5	**$ (34.6)**	$ (19.2)	**$ (1.3)**	$ (1.3)	**$ 381.8**	$ 154.0

NOTE 26 – 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 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:

	2025	2024
Equity-settled plans		
Stock option plan	**$ 5.9**	$ 7.0
RSU plan	**6.6**	4.7
PSU plan	**12.7**	3.6
Cash-settled plans		
Stock purchase plan	**16.2**	15.7
DSU plans	**14.9**	(1.1)
RSU plan	**1.9**	2.2
PSU plan	**3.3**	2.4
Total share-based payments expense	**$ 61.5**	$ 34.5
Impact of equity swap agreements (Note 32)	**(14.6)**	6.6
Amount capitalized	**(1.0)**	(1.0)
Share-based payments expense, net of equity swap (Note 27)	**$ 45.9**	$ 40.1

During the year ended March 31, 2024, $2.8 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:

	2025	2024
Cash-settled plans		
DSU plans	**$ 48.7**	$ 41.6
RSU plan	**6.5**	9.1
PSU plan	**10.4**	10.5
Total carrying amount of share-based payments liabilities	**$ 65.6**	$ 61.2
Current portion	**25.3**	9.9
Non-current portion (Note 23)	**$ 40.3**	$ 51.3

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:

	2025		2024	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Stock options outstanding, beginning of year	**6,459,922**	**$ 27.19**	6,323,537	$ 26.63
Granted	**779,288**	**25.45**	735,274	28.66
Exercised	**(2,763,675)**	**24.29**	(405,943)	19.34
Forfeited	**(491,387)**	**29.96**	(192,946)	31.04
Stock options outstanding, end of year	**3,984,148**	**$ 28.52**	6,459,922	$ 27.19
Stock options exercisable, end of year	**2,525,692**	**$ 28.44**	4,533,751	$ 26.57

During the year ended March 31, 2025, the weighted average market share price for stock options exercised was $30.57 (2024 - $30.33).

As at March 31, 2025, 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
$20.57 to $26.78	1,663,993	3.79	$ 22.52	995,113	$ 20.57
$26.83 to $30.13	698,777	4.09	28.33	272,161	27.80
$33.47 to $38.01	1,621,378	2.57	34.76	1,258,418	34.79
Total	3,984,148	3.34	$ 28.52	2,525,692	$ 28.44

During the year ended March 31, 2025, the weighted average fair value of stock options granted was $9.58 (2024 – $10.12).

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:

	2025	2024
Common share price	**$ 25.45**	$ 27.85
Exercise price	**$ 25.45**	$ 28.66
Dividend yield	**0.58 %**	0.72 %
Expected volatility	**39.32 %**	41.88 %
Risk-free interest rate	**3.53 %**	3.73 %
Expected stock option life	**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:

	2025	2024
Equity-settled RSUs outstanding, beginning of year	**292,634**	—
Granted	**393,805**	304,142
Cancelled	**(94,872)**	(11,104)
Settled in shares	**(15,370)**	—
Settled in cash	**(1,471)**	(404)
Equity-settled RSUs outstanding, end of year	**574,726**	292,634
Equity-settled RSUs vested, end of year	**404,144**	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:

	2025	2024
Equity-settled PSUs outstanding, beginning of year	**780,786**	—
Granted	**903,341**	812,603
Cancelled	**(242,151)**	(30,604)
Settled in shares	**(30,060)**	—
Settled in cash	**(2,444)**	(1,213)
Equity-settled PSUs outstanding, end of year	**1,409,472**	780,786
Equity-settled PSUs vested, end of year	**1,037,878**	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:

	2025	2024
DSUs outstanding, beginning of year	**1,487,414**	1,586,384
Granted	**139,677**	118,667
Redeemed	**(249,780)**	(217,637)
DSUs vested and outstanding, end of year	**1,377,311**	1,487,414

As at March 31, 2025, vested and outstanding DSUs includes 742,157 DSUs (2024 – 833,090) 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:

	2025	2024
Cash-settled RSUs outstanding, beginning of year	**404,037**	646,231
Cancelled	**(43,833)**	(12,369)
Redeemed	**(167,065)**	(229,825)
Cash-settled RSUs outstanding, end of year	**193,139**	404,037
Cash-settled RSUs vested, end of year	**184,725**	332,420

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:

	2025	2024
Cash-settled PSUs outstanding, beginning of year	**912,281**	1,148,302
Cancelled	**(283,840)**	(83,204)
Redeemed	**(136,545)**	(152,817)
Cash-settled PSUs outstanding, end of year	**491,896**	912,281
Cash-settled PSUs vested, end of year	**467,991**	711,745

NOTE 27 – EMPLOYEE COMPENSATION

Total employee compensation expense recognized in income is as follows:

		2025		2024
Salaries and other short-term employee benefits	**$**	**1,697.0**	$	1,682.7
Share-based payments expense, net of equity swap (Note 26)		**45.9**		40.1
Post-employment benefits – defined benefit plans (Note 22)		**37.4**		34.6
Post-employment benefits – defined contribution plans		**39.8**		38.5
Termination benefits		**35.0**		28.5
Total employee compensation	**$**	**1,855.1**	$	1,824.4

During the year ended March 31, 2024, $48.5 million of total employee compensation have been recorded in net income from discontinued operations.

NOTE 28 – GOVERNMENT PARTICIPATION

Government contributions were recognized as follows:

		2025		2024
Credited to non-financial assets	**$**	**21.4**	$	20.4
Credited to income		**34.3**		27.9
	$	**55.7**	$	48.3

NOTE 29 – 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.

Dispute relating to final price adjustments for the sale of CAE's Healthcare business

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

While there can be no assurance whether any amount will be payable by the Company as a result of the dispute, no amount has been recognized in the Company's financial statements for any potential losses arising from this dispute as at March 31, 2025, as the Company believes that there are strong grounds for defence and will vigorously defend its position.

Class action proceeding

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

The class action requires authorization from the Court before it can move forward. Until it is authorized, there are no monetary claims pending against the defendants in the context of this Court proceeding. The defendants have strong legal defences to this Court proceeding and intend to defend the case vigorously. Based on the preliminary nature of the proceeding and the inherent uncertainty of litigation, it is not possible to predict the final outcome or the timing of this Court proceeding or to determine the amount of any potential losses resulting therefrom, if any. As such, no amounts have been provisioned in the Company's financial statements with respect to the proceeding.

Commitments

Contractual purchase commitments that are not recognized as liabilities are as follows:

		2025		2024
Less than 1 year	**$**	**411.8**	$	329.3
Between 1 and 5 years		**262.1**		245.5
Later than 5 years		**23.6**		3.2
Total contractual purchase commitments	**$**	**697.5**	$	578.0

NOTE 30 – 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	2025 Carrying value Total	2025 Fair value Total	2024 Carrying value Total	2024 Fair value Total
Financial assets (liabilities) measured at FVTPL					
Cash and cash equivalents	Level 1	**$ 293.7**	**$ 293.7**	$ 160.1	$ 160.1
Equity swap agreements	Level 2	**13.0**	**13.0**	(15.8)	(15.8)
Forward foreign currency contracts	Level 2	**(6.4)**	**(6.4)**	(0.6)	(0.6)
Derivatives assets (liabilities) designated in a hedge relationship					
Foreign currency and interest rate swap agreements	Level 2	**(14.4)**	**(14.4)**	4.8	4.8
Forward foreign currency contracts	Level 2	**(31.9)**	**(31.9)**	(8.7)	(8.7)
Financial assets (liabilities) measured at amortized cost					
Accounts receivable[1]	Level 2	**567.7**	**567.7**	570.8	570.8
Investment in finance leases	Level 2	**142.0**	**135.8**	147.9	140.3
Other non-current assets[2]	Level 2	**79.5**	**79.5**	47.0	47.0
Accounts payable and accrued liabilities [3]	Level 2	**(914.4)**	**(914.4)**	(775.8)	(775.8)
Total long-term debt[4]	Level 2	**(2,684.7)**	**(2,700.6)**	(2,529.9)	(2,524.4)
Other non-current liabilities[5]	Level 2	**(91.4)**	**(84.8)**	(87.1)	(78.0)
Financial assets measured at FVOCI					
Equity investments	Level 3	**1.4**	**1.4**	1.4	1.4
		$ (2,645.9)	**$ (2,661.4)**	$ (2,485.9)	$ (2,478.9)

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

During the year ended March 31, 2025, there were no significant changes in level 3 financial instruments.

NOTE 31 – 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:

	2025	2024
Total long-term debt (Note 21)	**$ 3,470.4**	$ 3,074.3
Less: cash and cash equivalents	**(293.7)**	(160.1)
Net debt	**$ 3,176.7**	$ 2,914.2
Equity	**4,976.0**	4,302.6
Total net debt plus equity	**$ 8,152.7**	$ 7,216.8
Net debt-to-capital	**% 39.0**	% 40.4

NOTE 32 – 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 11 and Note 30 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, 2025	**Civil Aviation**	**Defense and Security**	**Amounts not allocated to a segment**	**Total**
Gross accounts receivable	$ 384.8	$ 211.8	$ 36.7	$ 633.3
Gross contract assets	163.2	357.8	—	521.0
Total	**$ 548.0**	**$ 569.6**	**$ 36.7**	**$ 1,154.3**
Credit loss allowances	$ (19.3)	$ (2.0)	$ —	$ (21.3)
As a %	3.5 %	0.4 %	— %	1.8 %

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 %

Client concentration risk

For the year ended March 31, 2025, contracts with the U.S. federal government and its various agencies included in the Defense and Security segment accounted for 21% (2024 – 21%) 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 (2024 - 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 (2024 – US$400.0 million). As at March 31, 2025, the carrying amount of the original accounts receivable sold to a financial institution pursuant to the receivable purchase facility totaled $453.6 million (2024 - $303.7 million) of which $39.9 million (2024 – $44.9 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 Company has established supplier finance arrangements offered by some of its subsidiaries to certain key suppliers. Under these arrangements, the Company has the ability to submit supplier invoices, at its own discretion, to its financial institution who pays the supplier and allows the Company to extend its payment terms by 55 to 85 days. The Company pays the invoice amount and a service fee to the financial institution in accordance with the extended due dates. As at March 31, 2025, the carrying amount of accounts payable trade for this arrangement totalled $73.3 million.

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, 2025	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]	$ 914.4	$ 914.4	$ 914.4	$ —	$ —	$ —	$ —	$ —
Total long-term debt [2]								
Long-term debt (other than lease liabilities)	2,678.3	2,678.3	277.9	469.3	140.6	654.5	121.7	1,014.3
Interest and accretion	—	686.2	93.2	74.6	67.5	50.0	34.7	366.2
Lease liabilities	792.1	1,237.2	170.7	98.9	90.3	101.8	69.9	705.6
Other non-current liabilities [3]	91.4	155.2	—	25.0	31.4	28.1	23.9	46.8
	$ 4,476.2	$ 5,671.3	$ 1,456.2	$ 667.8	$ 329.8	$ 834.4	$ 250.2	$ 2,132.9
Net derivative financial liabilities (assets)								
Forward foreign currency contracts [4]	$ 38.3							
Outflow		$ 2,829.3	$ 2,481.4	$ 305.6	$ 39.4	$ 2.9	$ —	$ —
Inflow		(2,780.2)	(2,443.3)	(295.4)	(38.5)	(3.0)	—	—
Foreign currency and interest rate swap agreements	14.4	36.2	1.0	1.7	1.9	31.6	—	—
Equity swap agreements	(13.0)	(13.0)	(13.0)	—	—	—	—	—
	$ 39.7	$ 72.3	$ 26.1	$ 11.9	$ 2.8	$ 31.5	$ —	$ —
	$ 4,515.9	$ 5,743.6	$ 1,482.3	$ 679.7	$ 332.6	$ 865.9	$ 250.2	$ 2,132.9

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

[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, 2025, 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) and Euro (€ or EUR). 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.

The forward foreign currency contracts outstanding are as follows:

		2025		2024
Currencies (sold/bought)	**Notional amount [1]**	**Average rate**	Notional amount [1]	Average rate
USD/CDN				
Less than 1 year	**$ 1,257.8**	**0.72**	$ 1,280.2	0.74
Between 1 and 3 years	**250.8**	**0.73**	268.9	0.75
Between 3 and 5 years	**0.4**	**0.75**	2.6	0.75
EUR/CDN				
Less than 1 year	**308.1**	**0.66**	340.1	0.68
Between 1 and 3 years	**60.7**	**0.66**	71.0	0.67
Between 3 and 5 years	**2.4**	**0.65**	19.4	0.65
CDN/USD				
Less than 1 year	**489.6**	**1.42**	467.9	1.35
Between 1 and 3 years	**31.3**	**1.39**	22.5	1.34
Between 3 and 5 years	**0.2**	**1.37**	—	—
Other currencies				
Less than 1 year	**426.4**	**n.a.**	435.1	n.a.
Between 1 and 3 years	**1.6**	**n.a.**	8.8	n.a.
Total	**$ 2,829.3**		$ 2,916.5	

[1] Exchange rates as at the end of the respective periods were used to translate amounts in foreign currencies.

As March 31, 2025, the Company uses 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 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 sensitivity analysis on pre-tax net income presents the impact of foreign currency denominated financial instruments and adjusts their translation for a 5% strengthening in the relevant foreign currency as at the end of the respective periods. The sensitivity analysis on other comprehensive income (loss) presents the impact of a 5% strengthening in foreign currency rates on the fair value of foreign currency forward contracts designated as cash flow hedges as at the end of the respective periods. This analysis assumes all other variables remain constant.

	USD		EUR	
	Net income	OCI	Net income	OCI
As at March 31, 2025	**2.1**	**(10.5)**	**0.6**	**(1.1)**
As at March 31, 2024	0.6	(15.7)	(1.3)	(1.9)

A weakening of 5% in the relevant foreign currency against the Canadian dollar would have an opposite impact on pre-tax net income and OCI.

Hedge of net investments in foreign operations
As at March 31, 2025, the Company has designated a portion of its unsecured senior notes, term loans, fixed to fixed cross currency principal and interest rate swap agreements and foreign currency contracts totaling US$1,660.9 million (2024 - US$1,638.6 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.

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, 2025, 86% (2024 – 93%) 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, 2025, a 1% increase in interest rates would decrease net income by $5.2 million (2024 - $7.2 million) and would not have a significant impact on OCI (2024 – 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, 2025, the equity swap agreements covered 2,100,000 common shares (2024 – 2,400,000) of the Company.

Letters of credit and guarantees

As at March 31, 2025, the Company had outstanding letters of credit and performance guarantees in the amount of $406.2 million (2024 – $244.5 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.

		2025		2024
Advance payments	**$**	**207.2**	$	63.6
Contract performance		**110.7**		100.2
Lease obligations		**17.3**		19.8
Financial obligations		**69.5**		58.9
Other		**1.5**		2.0
	$	**406.2**	$	244.5

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 33 – COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel have the ability and responsibility to make major operational, financial and strategic decisions for the Company. In fiscal 2025, the Company determined that key management personnel consist of the Board of Directors and its Management Team, which is comprised of the President and Chief Executive Officer (CEO) and executive officers who report directly to him. In fiscal 2024, prior to the senior leadership reorganization announced in May 2024, the Company determined that key management personnel consisted of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer, and the Group Presidents. As at March 31, 2025, key management personnel consist of 12 non-employee Directors and 8 executive officers (2024 – 12 non-employee Directors and 5 executive officers).

The compensation expense of key management for employee services recognized in income are as follows:

		2025		2024
Salaries and other short-term employee benefits	**$**	**12.5**	$	6.6
Post-employment benefits – defined benefit plans		**2.0**		3.8
Costs related to the CEO's terms of departure		**6.3**		—
Termination benefits		**5.0**		2.1
Share-based payments expense		**22.2**		4.4
	$	**48.0**	$	16.9

In November 2024, the Company announced its CEO succession plan whereby the current CEO will be leaving the Company at the Annual General Meeting in August 2025. The CEO's terms of departure were finalized during the fourth quarter of fiscal 2025 and include non-compete and non-solicitation covenants, as well as other terms that are generally consistent with the previously agreed-upon employment arrangement which will remain in force until the departure date.

During fiscal 2025, the Company incurred approximately $8.3 million of executive management transition costs, including $6.3 million related to the CEO's terms of departure, representing accrued expenses not yet paid to the current CEO, and $2.0 million of other costs consisting primarily of external advisor fees. These costs are recorded in selling, general and administrative expenses.

For the year ended March 31, 2025, the compensation earned by non-employee Directors of the Company amounted to $3.9 million (2024 – $3.3 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, 2025

1. HIGHLIGHTS

FINANCIAL

FOURTH QUARTER OF FISCAL 2025

(amounts in millions, except per share amounts, adjusted ROCE and book-to-sales ratio)		**Q4-2025**		Q4-2024		*Variance $*	*Variance %*
Performance							
Revenue	**$**	**1,275.4**	$	1,126.3	$	*149.1*	*13 %*
Operating income (loss)	**$**	**239.9**	$	(533.0)	$	*772.9*	
Adjusted segment operating income[1]	**$**	**258.8**	$	125.7	$	*133.1*	*106 %*
Net income (loss) attributable to equity holders of the Company	**$**	**135.9**	$	(504.7)	$	*640.6*	
Basic and diluted earnings per share (EPS) – continuing operations	**$**	**0.42**	$	(1.58)	$	*2.00*	
Adjusted EPS[1]	**$**	**0.47**	$	0.12	$	*0.35*	*292 %*
Net cash provided by operating activities	**$**	**322.7**	$	215.2	$	*107.5*	*50 %*
Free cash flow[1]	**$**	**289.4**	$	191.1	$	*98.3*	*51 %*
Liquidity and Capital Structure							
Capital employed[1]	**$**	**8,152.7**	$	7,216.8	$	*935.9*	*13 %*
Adjusted return on capital employed (ROCE)[1]	**%**	**7.2**	%	5.9			
Total debt	**$**	**3,470.4**	$	3,074.3	$	*396.1*	*13 %*
Net debt[1]	**$**	**3,176.7**	$	2,914.2	$	*262.5*	*9 %*
Growth							
Adjusted order intake[1]	**$**	**1,337.5**	$	1,550.5	$	*(213.0)*	*(14 %)*
Adjusted backlog[1]	**$**	**20,142.2**	$	12,183.9	$	*7,958.3*	*65 %*
Book-to-sales ratio[1]		**1.05**		1.38			
Book-to-sales ratio for the last 12 months		**1.64**		1.15			

FISCAL 2025

(amounts in millions, except per share amounts)		**FY2025**		FY2024		*Variance $*	*Variance %*
Performance							
Revenue	**$**	**4,707.9**	$	4,282.8	$	*425.1*	*10 %*
Operating income (loss)	**$**	**729.2**	$	(185.4)	$	*914.6*	
Adjusted segment operating income	**$**	**732.0**	$	549.7	$	*182.3*	*33 %*
Net income (loss) attributable to equity holders of the Company	**$**	**405.3**	$	(325.3)	$	*730.6*	
Basic and diluted EPS – continuing operations	**$**	**1.27**	$	(1.02)	$	*2.29*	
Adjusted EPS	**$**	**1.21**	$	0.87	$	*0.34*	*39 %*
Net cash provided by operating activities	**$**	**896.5**	$	566.9	$	*329.6*	*58 %*
Free cash flow	**$**	**813.9**	$	418.2	$	*395.7*	*95 %*

[1] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

2. INTRODUCTION

In this management's discussion and analysis (MD&A), *we*, *us*, *our*, *CAE* and *Company* refer to CAE Inc. and its subsidiaries. Unless we have indicated otherwise:
– *This year* and *2025* mean the fiscal year ending March 31, 2025;
– *Last year, prior year* and *a year ago* mean the fiscal year ended March 31, 2024;
– Dollar amounts are in Canadian dollars.

This MD&A was prepared as of May 13, 2025. It is intended to enhance the understanding of our annual consolidated financial statements and notes for the year ended March 31, 2025 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, 2025. Except as otherwise indicated, all financial information has been reported in accordance with IFRS Accounting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). 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 purpose, mission and vision;
– Our strategy;
– Our operations;
– Foreign exchange;
– Consolidated results;
– Results by segment;
– Consolidated cash movements and liquidity;
– Consolidated financial position;
– Business combinations;
– Discontinued operations;
– Business risk and uncertainty;
– Compensation of key management personnel;
– 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 13.1 *"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 13.1 "*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 sustainability 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, 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) encroachment, inflation, international scope of our business, changes in U.S. trade policies or regulations, 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, our ability to 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 shareholder activism, availability of capital, customer credit risk, foreign exchange, effectiveness of internal controls over financial reporting, liquidity risk, interest rate volatility, returns to shareholders, 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; sustainability risks, such as extreme climate events and the impact of natural or other disasters (including effects of climate change) and sustainability commitments and expectations; 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 11 "*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 including the rapidly evolving trade and tariff environment, 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 remaining Legacy Contracts while managing the risks associated therewith, our ability to defend our position in the dispute with the buyer of the CAE Healthcare business, and the realization of the expected strategic, financial and other benefits of the increase of our ownership stake in SIMCOM Aviation Training in the timeframe anticipated. Air travel is a major driver for CAE's business and management relies on analysis from the International Air Transport Association (IATA) to inform its assumptions about the rate and profile of growth 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 11 "*Business risk and uncertainty*" of this MD&A.

3. ABOUT CAE

3.1 Who we are

At CAE, we exist to make the world safer. We deliver cutting-edge training, simulation, and critical operations solutions to prepare aviation professionals and defence forces for the moments that matter. Every day, we empower pilots, cabin crew, maintenance technicians, airlines, business aviation operators, and defence and security personnel to perform at their best and when the stakes are the highest. Around the globe, we're everywhere customers need us to be with approximately 13,000 employees at around 240 sites and training locations in over 40 countries. For nearly 80 years, CAE has been at the forefront of innovation, consistently seeking to set the standard by delivering excellence in high-fidelity flight simulators and training solutions, while embedding sustainability at the heart of everything we do. By harnessing technology and enhancing human performance, we strive to be the trusted partner in advancing safety and mission readiness—today and tomorrow.

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

3.2 Our purpose, mission and vision

Our purpose is to make the world safer.

Our mission is to deliver cutting-edge training, simulation and critical operations solutions to prepare aviation professionals and defence forces for the moments that matter.

Our vision is to be the trusted partner in advancing safety and mission readiness, defining the standard of excellence in training and critical operations by harnessing technology and enhancing human performance.

3.3 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 in which we operate. 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. Furthermore, our solutions are deployed with a focus on integrated sustainability.

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.

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.

3.4 Our operations

Our operations are managed through two segments:

– Civil Aviation – We provide comprehensive training solutions for flight, cabin, maintenance, ground personnel and air traffic controllers 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 airline operations digital 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, air navigation service providers, maintenance, repair and overhaul organizations 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.

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 services in more than 35 countries and through our broad global network of more than 85 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 over 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 363 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 airline operations digital 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.

We have established a wealth of experience in developing first-to-market simulators for more than 30 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 more than $7 billion, and headroom for growth.

Market drivers

Demand for training and airline operations digital 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 airline operations digital solutions;
– Air traffic services.

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 aircraft. 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 airline operations digital solutions.

In commercial aviation, as per the International Air Transport Association (IATA), global air passenger demand, measured by revenue passenger-kilometers (RPKs), has shown an increase of 10% for calendar 2024 compared to calendar 2023. In calendar 2024, international traffic experienced a 14% increase compared to the previous year, with capacity rising by 13%. Domestic traffic for calendar 2024 grew by 6% compared to calendar 2023, while capacity rose by 3%. For the first three months of calendar 2025, worldwide passenger traffic increased by 3% compared to the first three months of calendar 2024. Looking ahead to the full calendar 2025, IATA estimates the demand for travel will continue to grow, although at a more moderate pace of 8%, aligning more closely with historical averages.

For calendar 2024, full-year air cargo demand rose, with cargo tonne-kilometers increasing 11%. Record full-year volumes set in 2021 were exceeded in calendar 2024. For the first three months of calendar 2025, cargo tonne-kilometers increased by 4% compared to the first three months of calendar 2024.

In business aviation, the recovery post-COVID has been very strong, reaching a historical peak in calendar 2021. Flight activity is stabilizing at above calendar 2019 levels, with both FAA and EASA reporting calendar 2024 business aviation flight activity to be similar to calendar 2023 levels. Fractional and managed aircraft segments have realized flight activity increases of 57% and 32%, respectively, since calendar 2019. For the first three months of calendar 2025, business aviation flight activity increased 3% compared to the first three months of calendar 2024.

Additionally, high inflation, geopolitical tensions, the continuing military hostilities in various regions in the world, 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 to deliver new aircraft with a record backlog and are also introducing 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 continued fleet growth and the entry-into-service of 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.

Complexity of airline operations digital solutions
Airlines need to closely manage their operations which come with daily challenges. To help optimize these operations, we offer a suite of airline operations digital products. This suite of products provides solutions for airline operations including training management, crew management, flight management, airport management, in-flight services management and operations control. With our integrated platform, the operations control desk now has a single environment to communicate, providing insights and predictions on possible disruption and delays hence allowing airlines to reduce operating costs and enhancing customer satisfaction.

The benefits for our airline 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 improves staff utilization. Finally, our movement management solution decreases delay and cancellation costs for airlines.

Air traffic services
CAE inaugurated its first air traffic services training centre in collaboration with NAV CANADA in Montreal, Canada. The start of training was delivered on time and fulfilled all training requirements. This represents a new revenue stream for CAE.

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 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 technologies to deliver innovative and scalable solutions that address military training modernization and enhanced mission support requirements.

Our customers depend on synthetic environments 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 training devices to high-fidelity full-mission simulators, we support critical personnel from aircrews to maintenance technicians on more than 85 different platforms across more than 140 sites and in multiple 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 of 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 partners 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. This year, CAE has been identified as a strategic partner to the Government of Canada to work with the Royal Canadian Air Force to design and co-develop the Future Fighter Lead-in Training program. 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 role as the Authorized Training Provider for Bombardier's Global 6500 supporting the High Accuracy Detection and Exploitation System. The 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 landscape.

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 more than $15 billion.

Market drivers

Demand for training and operational support solutions in the defence and security markets is driven by the following;

- Accelerated defence spending as a reflection of heightened geopolitical tensions;
- Expected stable demand on enduring platforms and increased opportunities on next-generation systems;
- Maximization of efficiencies through outsourced training and support services;
- Increased industry 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.

Accelerated defence spending as a reflection of heightened geopolitical tensions

According to the International Institute for Strategic Studies, global military expenditures increased by 7% in 2024, reaching US$2.5 trillion. European defence expenditure grew by 12% reaching US$457 billion in 2024, the 10th year of consecutive growth following the conflict in Ukraine. Projected increases in European defence spending for 2025 and beyond are driven by several new initiatives. The European Commission, the European Union's executive body based in Brussels, is planning to offer loans amounting to approximately €150 billion to support military expenditures by member states. These loans are anticipated to facilitate around €800 billion in new military investments. Similarly, in Canada, defence expenditure grew by 12% in 2024, reaching US$27 billion. This growth may accelerate further as Canadian officials have signaled an increase in defence expenditure as a percentage of GDP to reach 2% by 2027, ahead of the current timeline of 2032. The U.S. experienced a 5% increase from 2023 to 2024. In the Middle East and North African regions, annual defence spending increased by 10%. Defence spending increased in Asia by 4%.

Expected stable demand on enduring platforms and increased opportunities on next-generation systems

We maintain a robust recurring business from our strong presence in enduring platforms, including long-term service contracts. Defence forces in mature markets are maximizing the potential of their existing platforms through upgrades, updates, and life extension programs of existing assets, which presents opportunities for simulator upgrades and training support services. Additionally, there is significant demand for enduring platforms such as the C-130, P-8, F-16, C295, MH-60R, NH90 and MQ-9 in global defence markets, necessitating new training systems and services. As defence forces gear up for next-generation platforms and increasingly engage in collaborative operations between manned and unmanned systems, opportunities continue to expand. Our global footprint with key defence customers and strategic partnerships with OEM providers such as Boeing, Lockheed Martin and Bell Textron uniquely position us to support next-generation platforms, and facilitate a smooth transition from current to future training frameworks.

Maximization of efficiencies through outsourced training and support services

Defence forces and governments are continually exploring ways to improve efficiency and bolster readiness, enabling active-duty personnel to concentrate on operational needs. A notable trend among defence forces is the outsourcing of various training and operational support services, including military training through flight training organizations. This strategy enhances throughput, making training programs more effective and scalable to accommodate a greater number of trainees. We expect this trend to persist, aligning with our long-term strategy to expand recurring service offerings. We believe governments will increasingly turn to industry partners for training and operational support solutions, seeking faster delivery, reduced capital investment requirements, and improved readiness levels.

Increased industry competition straining military aviation recruitment, training and retention
The strong demand from the civil commercial and business aviation sectors have affected the recruitment, training and retention of military pilots. This challenge has prompted defence forces to explore various initiatives aimed at mitigating the pilot shortage, including modernization efforts focused on innovative training methods. Consequently, defence forces are evaluating the possibility of outsourcing instructor pilot roles and incorporating new technologies that improve the effectiveness and efficiency of pilot training. This approach not only increases training capacity but also opens new opportunities for our products, services and solutions.

Demand for integrated network training systems to support multi-domain conflict
The changing geopolitical landscape and the need to prepare for a peer adversary, coupled with constraints in personnel and budget, have led defence forces worldwide to consider outsourcing the development, management and delivery of the training systems necessary for today's complex operational environments. Increasingly, defence forces are considering a more integrated and holistic training approach across all domains. Defence forces seek to enhance efficiency, achieve cost savings, and foster integration and immersive training across multi-domain operations. As a training systems integrator, we utilize our leadership expertise to enhance enterprise training networks and provide comprehensive solutions that improve operational test and training infrastructure and supporting distributed mission training and multi-domain operations.

Expanded utilization of synthetic environments to support efficacy, reduce costs and lower environmental impact
A key factor driving our expertise and capabilities is the growing adoption of synthetic environments across the defence community. More defence forces and governments are integrating synthetic environments into their training strategies to improve training effectiveness, reduce operational demands on platforms, mitigate risks associated with training and substantially lower costs. Additionally, synthetic training solutions help decrease our customers' environmental impact by offering a safer alternative for multi-domain training, significantly reducing the carbon footprint compared to traditional live training. Furthermore, when combined with AI and cloud computing, these digitally immersive synthetic environments serve as valuable tools 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 two 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:

As at March 31	**2025**	2024	Increase / (decrease)
U.S. dollar (US$ or USD)	**1.44**	1.35	*7 %*
Euro (€ or EUR)	**1.55**	1.46	*6 %*

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

	Q4-2025	Q4-2024	Increase / (decrease)	**FY2025**	FY2024	Increase / (decrease)
U.S. dollar (US$ or USD)	**1.43**	1.35	*6 %*	**1.39**	1.35	*3 %*
Euro (€ or EUR)	**1.51**	1.46	*3 %*	**1.49**	1.46	*2 %*

For the three months ended March 31, 2025, the effect of translating the results of our foreign operations into Canadian dollars resulted in an increase in revenue of $50.0 million and an increase in adjusted segment operating income of $9.5 million, when compared to fiscal 2024. For fiscal 2025, the effect of translating the results of our foreign operations into Canadian dollars resulted in an increase in revenue of $97.4 million and an increase in adjusted segment operating income of $14.7 million, when compared to fiscal 2024. 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 11 "*Business risk and uncertainty"* of this MD&A. A sensitivity analysis for foreign currency risk is included in Note 32 of our consolidated financial statements.

5. CONSOLIDATED RESULTS

5.1 Results from operations – fourth quarter of fiscal 2025

(amounts in millions, except per share amounts)		**Q4-2025**	Q3-2025	Q2-2025	Q1-2025	Q4-2024
Continuing operations						
Revenue	**$**	**1,275.4**	1,223.4	1,136.6	1,072.5	1,126.3
Cost of sales	**$**	**884.7**	883.8	845.5	793.8	844.8
Gross profit	**$**	**390.7**	339.6	291.1	278.7	281.5
As a % of revenue[2]	*%*	***30.6***	*27.8*	*25.6*	*26.0*	*25.0*
Research and development expenses	**$**	**21.4**	28.7	37.2	35.9	41.7
Selling, general and administrative expenses	**$**	**164.1**	140.2	127.6	133.5	138.1
Other (gains) and losses	**$**	**(9.6)**	(0.1)	(2.7)	(0.9)	36.3
After-tax share in profit of equity accounted investees	**$**	**(25.1)**	(19.2)	(20.0)	(24.0)	(24.6)
Restructuring, integration and acquisition costs	**$**	**—**	—	30.9	25.6	55.0
Gain on remeasurement of previously held equity interest	**$**	**—**	(72.6)	—	—	—
Impairment of goodwill	**$**	**—**	—	—	—	568.0
Operating income (loss)	**$**	**239.9**	262.6	118.1	108.6	(533.0)
As a % of revenue[2]	*%*	***18.8***	*21.5*	*10.4*	*10.1*	*—*
Finance expense – net	**$**	**56.5**	56.6	52.9	49.5	52.4
Earnings (loss) before income taxes	**$**	**183.4**	206.0	65.2	59.1	(585.4)
Income tax expense (recovery)	**$**	**45.2**	34.8	10.4	8.3	(80.6)
As a % of earnings before income taxes (effective tax rate)	*%*	***25***	*17*	*16*	*14*	*14*
Net income (loss) from continuing operations	**$**	**138.2**	171.2	54.8	50.8	(504.8)
Net income from discontinued operations	**$**	**—**	—	—	—	20.5
Net income (loss)	**$**	**138.2**	171.2	54.8	50.8	(484.3)
Attributable to:						
Equity holders of the Company	**$**	**135.9**	168.6	52.5	48.3	(484.2)
Non-controlling interests	**$**	**2.3**	2.6	2.3	2.5	(0.1)
	$	**138.2**	171.2	54.8	50.8	(484.3)
EPS attributable to equity holders of the Company						
Basic and diluted – continuing operations	**$**	**0.42**	0.53	0.16	0.15	(1.58)
Basic and diluted – discontinued operations	**$**	**—**	—	—	—	0.06
Adjusted segment operating income[2]	**$**	**258.8**	190.0	149.0	134.2	125.7
Adjusted net income[2]	**$**	**149.6**	91.9	76.2	67.8	38.7
Adjusted EPS[2]	**$**	**0.47**	0.29	0.24	0.21	0.12

Revenue was $1,275.4 million this quarter, $149.1 million or 13% higher compared to the fourth quarter of fiscal 2024
Revenue variances by segment were as follows:

(amounts in millions) *Three months ended March 31*		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**728.4**	$	700.8	*$*	*27.6*	*4 %*
Defense and Security		**547.0**		425.5		*121.5*	*29 %*
Revenue	**$**	**1,275.4**	$	1,126.3	*$*	*149.1*	*13 %*

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 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"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 $390.7 million this quarter, $109.2 million or 39% higher compared to the fourth quarter of fiscal 2024
Gross profit was $390.7 million this quarter (30.6% of revenue) compared to $281.5 million (25.0% of revenue) in the fourth quarter of fiscal 2024. Gross profit variances by segment were as follows:

(amounts in millions)

Three months ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**272.4**	$	270.8	*$*	*1.6*	*1 %*
Defense and Security		**118.3**		10.7		*107.6*	*1,006 %*
Gross profit	**$**	**390.7**	$	281.5	*$*	*109.2*	*39 %*

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

Operating income was $239.9 million this quarter, $772.9 million higher compared to the fourth quarter of fiscal 2024
Operating income was $239.9 million (18.8% of revenue) this quarter compared to an operating loss of $533.0 million in the fourth quarter of fiscal 2024. This period's operating income included costs related to shareholder matters of $10.6 million and executive management transition costs of $8.3 million. Last year's operating loss included the impairment of goodwill of $568.0 million, the impairment of technology and other non-financial assets of $35.7 million and restructuring, integration and acquisition costs of $55.0 million. Operating income (loss) variances by segment were as follows:

(amounts in millions)

Three months ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**197.4**	$	147.0	*$*	*50.4*	*34 %*
Defense and Security		**42.5**		(680.0)		*722.5*	
Operating income (loss)	**$**	**239.9**	$	(533.0)	*$*	*772.9*	

Adjusted segment operating income was $258.8 million this quarter, $133.1 million or 106% higher compared to the fourth quarter of fiscal 2024
Adjusted segment operating income was $258.8 million this quarter (20.3% of revenue) compared to $125.7 million (11.2% of revenue) in the fourth quarter of fiscal 2024. Adjusted segment operating income (loss) variances by segment were as follows:

(amounts in millions)

Three months ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**208.4**	$	191.4	*$*	*17.0*	*9 %*
Defense and Security		**50.4**		(65.7)		*116.1*	
Adjusted segment operating income	**$**	**258.8**	$	125.7	*$*	*133.1*	*106 %*

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

Finance expense - net was $56.5 million this quarter, $4.1 million or 8% higher compared to the fourth quarter of fiscal 2024
Finance expense - net was $56.5 million this quarter, compared to $52.4 million in the fourth quarter of fiscal 2024. The increase was mainly due to higher finance expense on lease liabilities in support of training network expansions and additional finance expense on borrowings to finance the SIMCOM transaction last quarter. The increase was partially offset by lower finance expense on long-term debt due to a decreased level of borrowings during the period aligned with our ongoing deleveraging objectives.

Effective tax rate was 25% this quarter
Income tax expense this quarter amounted to $45.2 million, representing an effective tax rate of 25%, compared to an income tax recovery of $80.6 million for the fourth quarter of fiscal 2024, representing an effective tax rate of 14% last year. The adjusted effective tax rate[3] on our adjusted net income was 25% this quarter compared to 47% in the fourth quarter of fiscal 2024. The decrease in the adjusted effective tax rate was mainly attributable to last year's derecognition of tax assets previously recorded in Europe and the change in the mix of income from various jurisdictions.

[3] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"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 2025

(amounts in millions, except per share amounts)		**FY2025**	FY2024
Continuing operations			
Revenue	**$**	**4,707.9**	4,282.8
Cost of sales	**$**	**3,407.8**	3,128.3
Gross profit	**$**	**1,300.1**	1,154.5
As a % of revenue	***%***	***27.6***	*27.0*
Research and development expenses	**$**	**123.2**	149.8
Selling, general and administrative expenses	**$**	**565.4**	535.0
Other (gains) and losses	**$**	**(13.3)**	27.9
After-tax share in profit of equity accounted investees	**$**	**(88.3)**	(72.2)
Restructuring, integration and acquisition costs	**$**	**56.5**	131.4
Gain on remeasurement of previously held equity interest	**$**	**(72.6)**	—
Impairment of goodwill	**$**	**—**	568.0
Operating income (loss)	**$**	**729.2**	(185.4)
As a % of revenue	***%***	***15.5***	—
Finance expense – net	**$**	**215.5**	205.0
Earnings (loss) before income taxes	**$**	**513.7**	(390.4)
Income tax expense (recovery)	**$**	**98.7**	(72.8)
As a % of earnings before income taxes (effective tax rate)	***%***	***19***	*19*
Net income (loss) from continuing operations	**$**	**415.0**	(317.6)
Net income from discontinued operations	**$**	**—**	21.3
Net income (loss)	**$**	**415.0**	(296.3)
Attributable to:			
Equity holders of the Company	**$**	**405.3**	(304.0)
Non-controlling interests	**$**	**9.7**	7.7
	$	**415.0**	(296.3)
EPS attributable to equity holders of the Company			
Basic and diluted – continuing operations	**$**	**1.27**	(1.02)
Basic and diluted – discontinued operations	**$**	**—**	0.07
Adjusted segment operating income	**$**	**732.0**	549.7
Adjusted net income	**$**	**385.5**	276.8
Adjusted EPS	**$**	**1.21**	0.87

Revenue was $4,707.9 million this year, $425.1 million or 10% higher compared to last year
Revenue variances by segment were as follows:

(amounts in millions)

Years ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**2,709.3**	$	2,435.8	*$*	*273.5*	*11 %*
Defense and Security		**1,998.6**		1,847.0		*151.6*	*8 %*
Revenue	**$**	**4,707.9**	$	4,282.8	*$*	*425.1*	*10 %*

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

Gross profit was $1,300.1 million this year, $145.6 million or 13% higher compared to last year
Gross profit was $1,300.1 million this year (27.6% of revenue) compared to $1,154.5 million (27.0% of revenue) last year. Gross profit variances by segment were as follows:

(amounts in millions)

Years ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**883.6**	$	867.8	*$*	*15.8*	*2 %*
Defense and Security		**416.5**		286.7		*129.8*	*45 %*
Gross profit	**$**	**1,300.1**	$	1,154.5	*$*	*145.6*	*13 %*

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

Operating income was $729.2 million this year, $914.6 million higher compared to last year
Operating income was $729.2 million this year compared to an operating loss of $185.4 million last year. This period's operating income included the gain on fair value remeasurement of SIMCOM of $72.6 million, costs related to shareholder matters of $10.6 million, executive management transition costs of $8.3 million and restructuring, integration and acquisition costs of $56.5 million. Last year's operating loss included the impairment of goodwill of $568.0 million, the impairment of technology and other non-financial assets of $35.7 million and restructuring, integration and acquisition costs of $131.4 million. Operating income (loss) variances by segment were as follows:

(amounts in millions)

Years ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**605.3**	$	442.0	*$*	*163.3*	*37 %*
Defense and Security		**123.9**		(627.4)		*751.3*	
Operating income (loss)	**$**	**729.2**	$	(185.4)	*$*	*914.6*	

You will find more details on the reconciliation between operating income and adjustment segmented operating income in Section 13.3 "*Non-IFRS measure reconciliations"* of this MD&A.

Adjusted segment operating income was $732.0 million this year, $182.3 million or 33% higher compared to last year
Adjusted segment operating income was $732.0 million this year (15.5% of revenue) compared to $549.7 million (12.8% of revenue) last year. Adjusted segment operating income variances by segment were as follows:

(amounts in millions)

Years ended March 31		**2025**		2024		*Variance $*	*Variance %*
Civil Aviation	**$**	**581.5**	$	548.9	*$*	*32.6*	*6 %*
Defense and Security		**150.5**		0.8		*149.7*	*18,713 %*
Adjusted segment operating income	**$**	**732.0**	$	549.7	*$*	*182.3*	*33 %*

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

Finance expense - net was $215.5 million this year, $10.5 million or 5% higher compared to last year
Finance expense - net was $215.5 million, $10.5 million higher compared to the same period last year. The increase was mainly due to higher finance expense on lease liabilities in support of training network expansions and additional finance expense on borrowings to finance the SIMCOM transaction last quarter, partially offset by lower finance expense on long-term debt due to a decreased level of borrowings during the period aligned with our ongoing deleveraging objectives.

Effective tax rate was 19% this year
Income tax expense this year amounted to $98.7 million, representing an effective tax rate of 19% compared to an income tax recovery of $72.8 million for the same period last year, representing an effective tax rate of 19%. The adjusted effective tax rate on our adjusted net income was 23% this year compared to 17% last year. The increase in the adjusted effective tax rate was mainly attributable to the change in the mix of income from various jurisdictions, last year's recognition of previously unrecognized deferred tax assets in relation to the statutory combination of certain foreign operations and the income tax benefit resulting from the tax court decision in the in the first quarter of fiscal 2024, partially offset by the last year's derecognition of tax assets previously recorded in Europe.

As at March 31, 2025, various countries where CAE operates have enacted the global minimum top-up income tax under Pillar Two tax legislation into domestic tax legislation. This enactment had no material impact on our overall income tax expense nor on the effective tax rate.

5.3 Restructuring, integration and acquisition costs

	FY2025	FY2024	Q4-2025	Q4-2024
Integration and acquisition costs	**$ 11.5**	$ 79.9	**$ —**	$ 15.0
Severances and other employee related costs	**33.9**	31.2	**—**	19.7
Impairment of non-financial assets - net	**5.2**	19.2	**—**	19.2
Other costs	**5.9**	1.1	—	1.1
Total restructuring, integration and acquisition costs	**$ 56.5**	$ 131.4	**$ —**	$ 55.0

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

In the second quarter of fiscal 2025, the integration activities associated with the fiscal 2022 acquisition of Sabre's AirCentre airline operations portfolio (AirCentre) were completed. For the year ended March 31, 2025, restructuring, integration and acquisition costs associated with AirCentre amounted to $15.9 million (2024 – $76.8 million).

5.4 Gain on remeasurement of previously held equity interest

Gain on fair value remeasurement of SIMCOM
On November 5, 2024, we increased our ownership stake in our existing SIMCOM joint venture, obtaining control of the entity. Prior to acquiring control, our 50% ownership in SIMCOM was accounted for using the equity method. The change in control provided for the remeasurement of the previously held equity interest in SIMCOM to its fair value with any difference compared to the carrying value to be recognized as a gain or loss in our income statement, as well as the derecognition of a portion of Civil Aviation's goodwill, based on the relative fair value of the previously held equity interest in SIMCOM compared to the cash generating unit included in the Civil Aviation segment. As a result, we recorded a net remeasurement gain of $72.6 million, including the derecognition of goodwill and associated cumulative foreign exchange differences of $29.4 million and $7.7 million, respectively, and other costs of $5.3 million.

You will find more details in Section 9 "*Business combinations"* of this MD&A.

5.5 Shareholder matters

In December 2024, we received a public letter from shareholder Browning West, LP requesting that CAE's Board of Directors (Board) engage with them on the recruitment process to identify our next Chief Executive Officer (CEO). In February 2025, we announced changes to our Board that included the appointment of four new directors and the concurrent retirement of four directors, including the Chair of the Board. In connection with these changes, we entered into a customary nomination rights agreement with the Caisse de dépôt et placement du Québec, one of our largest shareholders, and a customary cooperation and standstill agreement with Browning West, LP.

During fiscal 2025, we incurred one-time costs of approximately $10.6 million related to the above shareholder matters, consisting primarily of external advisory fees. These costs are recorded in selling, general and administrative expenses.

5.6 Executive management transition costs

In November 2024, the Company announced its CEO succession plan whereby the current CEO will be leaving the Company at the Annual General Meeting in August 2025. The CEO's terms of departure were finalized during the fourth quarter of fiscal 2025 and include non-compete and non-solicitation covenants, as well as other terms that are generally consistent with the previously agreed-upon employment arrangement which will remain in force until the departure date.

During fiscal 2025, the Company incurred approximately $8.3 million of executive management transition costs, including $6.3 million related to the CEO's terms of departure, representing accrued expenses not yet paid to the current CEO, and $2.0 million of other costs consisting primarily of external advisor fees. These costs are recorded in selling, general and administrative expenses.

5.7 Consolidated adjusted order intake and adjusted backlog

Adjusted backlog[4] 65% higher compared to last year

(amounts in millions)	Civil Aviation		Defense and Security		Total	
	FY2025	FY2024	**FY2025**	FY2024	**FY2025**	FY2024
Obligated backlog[4], beginning of period	**$ 6,107.5**	$ 5,555.2	**$ 3,407.8**	$ 3,406.7	**$ 9,515.3**	$ 8,961.9
+ adjusted order intake	**3,717.4**	3,025.5	**3,986.1**	1,911.9	**7,703.5**	4,937.4
- revenue	**(2,709.3)**	(2,435.8)	**(1,998.6)**	(1,847.0)	**(4,707.9)**	(4,282.8)
+ / - adjustments	**1,049.4**	(37.4)	**168.2**	(63.8)	**1,217.6**	(101.2)
Obligated backlog, end of period	**$ 8,165.0**	$ 6,107.5	**$ 5,563.5**	$ 3,407.8	**$ 13,728.5**	$ 9,515.3
Joint venture backlog[4] (all obligated)	**681.6**	332.9	**3,681.7**	131.2	**4,363.3**	464.1
Unfunded backlog and options[4]	**—**	—	**2,050.4**	2,204.5	**2,050.4**	2,204.5
Adjusted backlog	**$ 8,846.6**	$ 6,440.4	**$ 11,295.6**	$ 5,743.5	**$ 20,142.2**	$ 12,183.9

(amounts in millions)	Civil Aviation		Defense and Security		Total	
	Q4-2025	Q4-2024	**Q4-2025**	Q4-2024	**Q4-2025**	Q4-2024
Obligated backlog, beginning of period	**$ 8,089.4**	$ 5,871.9	**$ 5,436.3**	$ 3,128.2	**$ 13,525.7**	$ 9,000.1
+ adjusted order intake	**741.8**	832.1	**595.7**	718.4	**1,337.5**	1,550.5
- revenue	**(728.4)**	(700.8)	**(547.0)**	(425.5)	**(1,275.4)**	(1,126.3)
+ / - adjustments	**62.2**	104.3	**78.5**	(13.3)	**140.7**	91.0
Obligated backlog, end of period	**$ 8,165.0**	$ 6,107.5	**$ 5,563.5**	$ 3,407.8	**$ 13,728.5**	$ 9,515.3
Joint venture backlog (all obligated)	**681.6**	332.9	**3,681.7**	131.2	**4,363.3**	464.1
Unfunded backlog and options	**—**	—	**2,050.4**	2,204.5	**2,050.4**	2,204.5
Adjusted backlog	**$ 8,846.6**	$ 6,440.4	**$ 11,295.6**	$ 5,743.5	**$ 20,142.2**	$ 12,183.9

The book-to-sales ratio for the quarter was 1.05x. The ratio for the last 12 months was 1.64x.

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

[4] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"Non-IFRS measure reconciliations*" of this MD&A for the definitions and reconciliations of these measures to the most directly comparable measure under IFRS.

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

FINANCIAL RESULTS

(amounts in millions)		**FY2025**	FY2024	**Q4-2025**	Q3-2025	Q2-2025	Q1-2025	Q4-2024
Revenue	**$**	**2,709.3**	2,435.8	**728.4**	752.6	640.7	587.6	700.8
Gross profit	**$**	**883.6**	867.8	**272.4**	234.2	189.3	187.7	270.8
As a % of revenue	***%***	***32.6***	*35.6*	***37.4***	*31.1*	*29.5*	*31.9*	*38.6*
Operating income	**$**	**605.3**	442.0	**197.4**	223.4	94.7	89.8	147.0
Adjusted segment operating income	**$**	**581.5**	548.9	**208.4**	150.8	115.9	106.4	191.4
As a % of revenue[5]	***%***	***21.5***	*22.5*	***28.6***	*20.0*	*18.1*	*18.1*	*27.3*
Depreciation and amortization	**$**	**312.4**	272.0	**84.3**	80.1	74.7	73.3	69.9
Property, plant and equipment expenditures	**$**	**229.7**	225.8	**62.6**	58.4	37.0	71.7	58.0
Intangible asset expenditures	**$**	**66.6**	109.5	**13.9**	12.8	17.2	22.7	33.1
Capital employed[5]	**$**	**5,894.3**	4,871.7	**5,894.3**	5,774.3	5,143.0	5,086.0	4,871.7
Adjusted backlog	**$**	**8,846.6**	6,440.4	**8,846.6**	8,798.7	6,663.1	6,585.3	6,440.4
Supplementary non-financial information								
Simulator equivalent unit		**286**	272	**298**	292	276	279	279
FFSs in CAE's network		**363**	343	**363**	362	355	349	343
Utilization rate	**%**	**74**	76	**75**	76	70	76	78
FFS deliveries		**61**	47	**15**	20	18	8	17

Revenue was $728.4 million this quarter, $27.6 million or 4% higher compared to the fourth quarter of fiscal 2024
The increase compared to the fourth quarter of fiscal 2024 was mainly due to the consolidation into our results of SIMCOM following the increase of our ownership stake last quarter, higher revenue from airline operations digital solutions and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by lower revenue recognized from simulator sales, lower revenue from simulator lifecycle support services and lower revenue from commercial aviation training driven by lower utilization on reduced initial training demand.

Revenue was $2,709.3 million this year, $273.5 million or 11% higher compared to last year
The increase compared to last year was mainly due to higher revenue recognized from simulator sales, driven by higher deliveries, the consolidation into our results of SIMCOM following the increase of our ownership stake last quarter, higher revenue from business training services driven by higher business utilization from increased volume from recently deployed simulators and a more favourable sales mix, and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by lower revenue from commercial aviation training driven by lower utilization on reduced initial training demand.

Gross profit was $272.4 million this quarter, stable compared to the fourth quarter of fiscal 2024
Gross profit was $272.4 million (37.4% of revenue) this quarter, compared to $270.8 million (38.6% of revenue) in the fourth quarter of fiscal 2024. Increases arising from the consolidation into our results of SIMCOM following the increase of our ownership stake last quarter and the foreign exchange impact on the translation of our foreign operations were offset by a lower contribution from simulator sales and a lower contribution from commercial aviation training driven by lower commercial utilization on reduced initial training demand.

[5] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"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 $883.6 million this year, $15.8 million or 2% higher compared to last year
Gross profit was $883.6 million (32.6% of revenue) this year, compared to $867.8 million (35.6% of revenue) last year. The increase compared to last year was mainly due to the consolidation into our results of SIMCOM following the increase of our ownership stake last quarter, a higher contribution from business training services, driven by higher business utilization from increased volume from recently deployed simulators and a more favorable sales mix, and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by a lower contribution from commercial training services, driven by a less favorable sales mix and lower commercial utilization on reduced initial training demand and a lower contribution from airline operations digital solutions.

Adjusted segment operating income was $208.4 million this quarter, $17.0 million or 9% higher compared to the fourth quarter of fiscal 2024
Adjusted segment operating income was $208.4 million (28.6% of revenue) this quarter, compared to $191.4 million (27.3% of revenue) in the fourth quarter of fiscal 2024. The increase compared to the fourth quarter of fiscal 2024 was mainly due to the consolidation into our results of SIMCOM following the increase of our ownership stake last quarter, lower net research and development costs, a gain on disposal of property, plant and equipment recognized this quarter, and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by a lower contribution from simulator sales and a lower contribution from commercial aviation training driven by lower commercial utilization on reduced initial training demand.

Adjusted segment operating income was $581.5 million this year, $32.6 million or 6% higher compared to last year
Adjusted segment operating income was $581.5 million (21.5% of revenue) this year, compared to $548.9 million (22.5% of revenue) last year. The increase compared to last year was mainly due to the consolidation into our results of SIMCOM following the increase of our ownership stake last quarter, a higher contribution from business training services, driven by higher business utilization from increased volume from recently deployed simulators and a more favorable sales mix, higher profitability in our joint ventures, a gain on disposal of property, plant and equipment recognized this quarter, and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by a lower contribution from commercial training services, driven by a less favorable sales mix and lower commercial utilization on reduced initial training demand and a lower contribution from airline operations digital solutions.

You will find more details on the reconciliation between operating income and adjustment segmented operating income in Section 13.3 *"Non-IFRS measure reconciliations"* of this MD&A.

Property, plant and equipment expenditures were $62.6 million this quarter and $229.7 million for the year
Growth capital expenditures were $46.3 million for the quarter and $164.6 million for the year. Maintenance capital expenditures were $16.3 million for the quarter and $65.1 million for the year.

Capital employed increased by $120.0 million compared to last quarter and by $1,022.6 million compared to last year
The increase compared to last quarter was mainly due to movements in foreign exchange rates, a higher investment in equity accounted for investees, and higher property plant and equipment.

The increase compared to last year was mainly due to the consolidation of SIMCOM following the increase of our ownership stake last quarter, resulting in an increase in intangible assets, property, plant and equipment and right-of-use assets, and a decrease in investment in equity accounted investees. The increase was further due to movements in foreign exchange rates, property plant and equipment and a higher investment in equity accounted investees, partially offset by a lower investment in non-cash working capital.

Adjusted backlog up 37% compared to last year

(amounts in millions)		**Q4-2025**	Q4-2024		**FY2025**	FY2024
Obligated backlog, beginning of period	**$**	**8,089.4**	$ 5,871.9	**$**	**6,107.5**	$ 5,555.2
+ adjusted order intake		**741.8**	832.1		**3,717.4**	3,025.5
- revenue		**(728.4)**	(700.8)		**(2,709.3)**	(2,435.8)
+ / - adjustments		**62.2**	104.3		**1,049.4**	(37.4)
Obligated backlog, end of period	**$**	**8,165.0**	$ 6,107.5	**$**	**8,165.0**	$ 6,107.5
Joint venture backlog (all obligated)		**681.6**	332.9		**681.6**	332.9
Adjusted backlog	**$**	**8,846.6**	$ 6,440.4	**$**	**8,846.6**	$ 6,440.4

Adjusted order intake included contracts for 14 full-flight simulators (FFSs) sold in the quarter, bringing the FFS order intake for the year of the fiscal year to 56 FFSs.

Fiscal 2025 adjustments were mainly due to the inclusion of SIMCOM's backlog into obligated backlog following the increase of our ownership stake last quarter and foreign exchange movements, partially offset by the revaluation of prior year contracts and contract cancellations.

This quarter's book-to-sales ratio was 1.02x. The ratio for the last 12 months was 1.37x.

6.2 Defense and Security

FINANCIAL RESULTS

(amounts in millions)		**FY2025**	FY2024	**Q4-2025**	Q3-2025	Q2-2025	Q1-2025	Q4-2024
Revenue	**$**	**1,998.6**	1,847.0	**547.0**	470.8	495.9	484.9	425.5
Gross profit	**$**	**416.5**	286.7	**118.3**	105.4	101.8	91.0	10.7
As a % of revenue	***%***	***20.8***	*15.5*	***21.6***	*22.4*	*20.5*	*18.8*	*2.5*
Operating income (loss)	**$**	**123.9**	(627.4)	**42.5**	39.2	23.4	18.8	(680.0)
Adjusted segment operating income (loss)	**$**	**150.5**	0.8	**50.4**	39.2	33.1	27.8	(65.7)
As a % of revenue	***%***	***7.5***	—	***9.2***	*8.3*	*6.7*	*5.7*	—
Depreciation and amortization	**$**	**102.3**	96.7	**26.2**	26.2	25.4	24.5	26.3
Property, plant and equipment expenditures	**$**	**126.5**	102.3	**46.4**	39.2	20.0	20.9	33.3
Intangible asset expenditures	**$**	**21.3**	26.4	**3.7**	4.5	7.2	5.9	8.0
Capital employed	**$**	**1,991.3**	2,041.2	**1,991.3**	2,041.8	2,035.1	2,110.0	2,041.2
Adjusted backlog	**$**	**11,295.6**	5,743.5	**11,295.6**	11,481.0	11,378.1	10,392.6	5,743.5

Revenue was $547.0 million this quarter, $121.5 million or 29% higher compared to the fourth quarter of fiscal 2024
The increase compared to the fourth quarter of fiscal 2024 was mainly due to last year's impact on revenue of unfavourable profit adjustments on the Legacy Contracts (defined in *Additional information pertaining to Defense and Security contracts)*. The increase was also due to higher revenue on our North American programs and the foreign exchange impact on the translation of our foreign operations.

Revenue was $1,998.6 million this year, $151.6 million or 8% higher compared to last year
The increase compared to last year was mainly due to higher revenue on our North American and European programs, last year's impact on revenue of unfavourable profit adjustments on the Legacy Contracts, and the foreign exchange impact on the translation of our foreign operations.

Gross profit was $118.3 million this quarter, $107.6 million or 1,006% higher compared to the fourth quarter of fiscal 2024
Gross profit was $118.3 million (21.6% of revenue) this quarter, compared to $10.7 million (2.5% of revenue) in the fourth quarter of fiscal 2024. The increase compared to the fourth quarter of fiscal 2024 was mainly due to last year's impact of unfavourable profit adjustments on the Legacy Contracts of $90.3 million, higher activity on our North American programs and the foreign exchange impact on the translation of our foreign operations.

Gross profit was $416.5 million this year, $129.8 million or 45% higher compared to last year
Gross profit was $416.5 million (20.8% of revenue) this year, compared to $286.7 million (15.5% of revenue) last year. The increase compared to last year was mainly due to last year's impact of unfavourable profit adjustments on the Legacy Contracts of $90.3 million, higher activity and profitability on our North American and European programs and the foreign exchange impact on the translation of our foreign operations.

Adjusted segment operating income was $50.4 million this quarter, $116.1 million higher compared to the fourth quarter of fiscal 2024
Adjusted segment operating income was $50.4 million (9.2% of revenue) this quarter, compared to an adjusted segment operating loss of $65.7 million in the fourth quarter of fiscal 2024. The increase of $116.1 million compared to the fourth quarter of fiscal 2024 was mainly due to last year's impact of unfavourable profit adjustments on the Legacy Contracts of $90.3 million, lower net research and development expenses, including accelerated government contributions received, higher profitability and activity on our North American programs, higher profitability in our joint ventures, and the foreign exchange impact on the translation of our foreign operations. The increase was partially offset by higher selling, general and administrative expense.

Adjusted segment operating income was $150.5 million this year, $149.7 million or 18,713% higher compared to last year
Adjusted segment operating income was $150.5 million (7.5% of revenue) this year, compared to $0.8 million last year. The increase of $149.7 million compared to last year was mainly due to last year's impact of unfavourable profit adjustments on the Legacy Contracts of $90.3 million, higher profitability and activity on our North American and European programs, lower net research and development expenses, including accelerated government contributions received and the recognition of previously unrecognized investment tax credits last quarter, and higher profitability in our joint ventures.

You will find more details on the reconciliation between operating income and adjusted segmented operating income in Section 13.3 *"Non-IFRS measure reconciliations"* of this MD&A.

Property, plant and equipment expenditures were $46.4 million this quarter and $126.5 million for the year
Growth capital expenditures were $35.1 million for the quarter and $107.4 million for the year. Maintenance capital expenditures were $11.3 million for the quarter and $19.1 million for the year.

Capital employed decreased by $50.5 million compared to last quarter and decreased by $49.9 million compared to last year
The decrease compared to last quarter was mainly due to a lower investment in non-cash working capital, partially offset by higher property, plant and equipment. The lower investment in non-cash working capital primarily resulted from higher accounts payable and accrued liabilities and lower contract assets, partially offset by higher accounts receivable.

The decrease compared to last year was mainly due to a lower investment in non-cash working capital, partially offset by movements in foreign exchange rates and higher property, plant and equipment. The lower investment in non-cash working capital primarily resulted from higher contract liabilities, lower contract assets, higher accounts payable and accrued liabilities and lower accounts receivable.

Additional information pertaining to Defense and Security contracts
Within the Defense and Security segment, we have a number of fixed-price contracts which offer certain potential advantages and efficiencies but can also be negatively impacted by adverse changes to general economic conditions, including unforeseen supply chain disruptions, inflationary pressures, availability of labour and execution difficulties. These risks can result in cost overruns and reduced profit margins or losses. For further details, refer to Section 11 *"Business risk and uncertainty"* of this MD&A. While these risks can often be managed or mitigated, there were eight distinct legacy contracts entered into prior to the COVID-19 pandemic that are fixed-price in structure, with little to no provision for cost escalation, and that have been more significantly impacted by these risks (the Legacy Contracts). Although only a small fraction of the current business, they have disproportionately impacted overall Defense and Security profitability. During the year, we completed three of the Legacy Contracts.

For the fourth quarter of fiscal 2025, the ongoing execution of the Legacy Contracts had a dilutive impact of approximately 0.7% on the Defense and Security adjusted segment operating income margin and 0.5% for fiscal 2025. Management is continuing to monitor the remaining Legacy Contracts as a separate group and will take appropriate measures as may be necessary in the future to mitigate the cost pressures associated with them.

Adjusted backlog up 97% compared to last year

(amounts in millions)		**Q4-2025**	Q4-2024		**FY2025**	FY2024
Obligated backlog, beginning of period	**$**	**5,436.3**	$ 3,128.2	**$**	**3,407.8**	$ 3,406.7
+ adjusted order intake		**595.7**	718.4		**3,986.1**	1,911.9
- revenue		**(547.0)**	(425.5)		**(1,998.6)**	(1,847.0)
+ / - adjustments		**78.5**	(13.3)		**168.2**	(63.8)
Obligated backlog, end of period	**$**	**5,563.5**	$ 3,407.8	**$**	**5,563.5**	$ 3,407.8
Joint venture backlog (all obligated)		**3,681.7**	131.2		**3,681.7**	131.2
Unfunded backlog and options		**2,050.4**	2,204.5		**2,050.4**	2,204.5
Adjusted backlog	**$**	**11,295.6**	$ 5,743.5	**$**	**11,295.6**	$ 5,743.5

Fiscal 2025 adjustments were mainly due to foreign exchange movements and the revaluation of prior year contracts, partially offset by contract cancellations.

This quarter's book-to-sales ratio was 1.09x. The ratio for the last 12 months was 1.99x.

In fiscal 2025, $480.0 million was added to the unfunded backlog and $607.9 million was transferred to obligated backlog.

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

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

Joint venture backlog is adjusted to exclude any portion of orders that have been directly subcontracted to a CAE subsidiary, which are already reflected in the determination of obligated backlog. Therefore, approximately $850 million was removed from joint venture backlog as a result of the $1.7 billion subcontract awarded to CAE by its joint venture, SkyAlyne, in the second quarter of fiscal 2025.

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)	**FY2025**	FY2024	**Q4-2025**	Q4-2024
Cash provided by operating activities*	**$ 699.4**	$ 438.8	**$ 233.8**	$ 46.7
Changes in non-cash working capital	**197.1**	128.1	**88.9**	168.5
Net cash provided by operating activities	**$ 896.5**	$ 566.9	**$ 322.7**	$ 215.2
Maintenance capital expenditures[6]	**(84.2)**	(102.5)	**(27.6)**	(23.2)
Intangible assets expenditures excluding capitalized development costs	**(20.9)**	(33.4)	**(3.8)**	(7.6)
Proceeds from the disposal of property, plant and equipment	**19.4**	4.0	**16.1**	0.3
Net payments to equity accounted investees	**(19.0)**	(43.9)	**(14.0)**	(3.4)
Dividends received from equity accounted investees	**28.7**	37.1	**—**	6.8
Other investing activities	**(6.6)**	(10.2)	**(4.0)**	(0.8)
Impact of discontinued operations	**—**	0.2	**—**	3.8
Free cash flow[6]	**$ 813.9**	$ 418.2	**$ 289.4**	$ 191.1
Growth capital expenditures[6]	**(272.0)**	(227.3)	**(81.4)**	(68.5)
Capitalized development costs	**(67.0)**	(114.5)	**(13.8)**	(34.5)
Net proceeds from the issuance of common shares	**67.1**	7.8	**16.9**	0.2
Repurchase and cancellation of common shares	**(21.3)**	—	**—**	—
Business combinations, net of cash acquired	**(308.0)**	—	**—**	—
Other cash movements, net	**(3.6)**	—	**(0.1)**	(2.2)
Proceeds from disposal of discontinued operations	**—**	275.3	**—**	275.3
Effect of foreign exchange rate changes on cash and cash equivalents	**19.2**	(13.7)	**6.7**	1.3
Impact of discontinued operations	**—**	(0.2)	**—**	(3.8)
Net change in cash before proceeds and repayment of long-term debt	**$ 228.3**	$ 345.6	**$ 217.7**	$ 358.9

* before changes in non-cash working capital

Net cash from operating activities of $322.7 million this quarter
Net cash from operating activities was $107.5 million higher compared to the fourth quarter of fiscal 2024. The increase was mainly due to higher net income adjusted for non-cash items, including last year's impairment of goodwill and other non-financial assets and deferred income taxes, partially offset by a lower contribution from non-cash working capital.

Net cash from operating activities of $896.5 million this year
Net cash from operating activities was $329.6 million higher than last year. The increase was mainly due to higher net income adjusted for non-cash items, including last year's impairment of goodwill and other non-financial assets and deferred income taxes, and a higher contribution from non-cash working capital.

Free cash flow of $289.4 million this quarter
Free cash flow was $98.3 million higher compared to the fourth quarter of fiscal 2024. The increase was mainly due to higher net cash from operating activities.

Free cash flow of $813.9 million this year
Free cash flow was $395.7 million higher compared to last year. The increase was mainly due to higher net cash from operating activities, lower payments to equity accounted investees and lower maintenance capital expenditures.

[6] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"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. In September 2024, we extended the maturity date of this facility until September 2028. We and some of our subsidiaries can borrow funds directly from this credit facility to cover operating and general corporate expenses and to issue letters of credit up to a maximum of US$400.0 million (2024 – US$200.0 million).

The total amount available through this revolving credit facility as at March 31, 2025 was US$1.0 billion (2024 – US$1.0 billion). There was no amount drawn under the facility as at March 31, 2025 (2024 – US$22.1 million), and US$14.1 million used for letters of credit (2024 – US$18.2 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 (PSG) for up to US$225.0 million (2024 – US$225.0 million). As at March 31, 2025, the total outstanding for these instruments under the PSG was $211.8 million (2024 – $194.4 million).

We manage an uncommitted receivable purchase facility of up to US$400.0 million (2024 – 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, 2025, the carrying amount of the original accounts receivable sold to financial institutions pursuant to the receivable purchase facility totalled $453.6 million (2024 – $303.7 million) of which $39.9 million (2024 – $44.9 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 established supplier finance arrangements offered by some of our subsidiaries to certain key suppliers. Under these arrangements, we have the ability to submit supplier invoices, at our own discretion, to our financial institution who pays the supplier and allows us to extend our payment terms by 55 to 85 days. We pay the invoice amount and a service fee to the financial institution in accordance with the extended due dates. As at March 31, 2025, the carrying amount of accounts payable trade for this arrangement totalled $73.3 million.

We have certain debt agreements which require the maintenance of standard financial covenants. As at March 31, 2025, we are compliant with all our financial covenants.

The following table summarizes the long-term debt:

(amounts in millions)		**As at March 31 2025**	As at March 31 2024
Total long-term debt	**$**	**3,470.4**	$ 3,074.3
Less:			
Current portion of long-term debt		**277.9**	253.7
Current portion of lease liabilities		**121.1**	55.2
Long-term portion of long-term debt	**$**	**3,071.4**	$ 2,765.4

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

Term loans
In December 2024, we entered into an unsecured term loan agreement with a syndicated group of banks amounting to US$200.0 million maturing in June 2026, bearing interest at a variable rate. Proceeds from this term loan have been principally used to repay borrowings on our revolving credit facility that were used to finance the SIMCOM transaction.

Unsecured senior notes
In December 2024, we repaid unsecured senior notes of US$127.0 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 $24.6 million in fiscal 2026.

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 28 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.

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

While there can be no assurance whether any amount will be payable as a result of the dispute, no amount has been recognized in our financial statements for any potential losses arising from this dispute as at March 31, 2025, as we believe that there are strong grounds for defence and will vigorously defend our position.

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

The class action requires authorization from the Court before it can move forward. Until it is authorized, there are no monetary claims pending against the defendants in the context of this Court proceeding. The defendants have strong legal defences to this Court proceeding and intend to defend the case vigorously. Based on the preliminary nature of the proceeding and the inherent uncertainty of litigation, it is not possible to predict the final outcome or the timing of this Court proceeding or to determine the amount of any potential losses resulting therefrom, if any. As such, no amounts have been provisioned in the Company's financial statements with respect to the proceeding.

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)	**2026**	**2027**	**2028**	**2029**	**2030**	**Thereafter**	**Total**
Long-term debt (excluding interest)	$ 277.9	$ 469.3	$ 140.6	$ 654.5	$ 121.7	$ 1,014.3	$ 2,678.3
Lease liabilities	170.7	98.9	90.3	101.8	69.9	705.6	1,237.2
Purchase commitments	411.8	149.7	67.3	32.5	12.6	23.6	697.5
	$ 860.4	**$ 717.9**	**$ 298.2**	**$ 788.8**	**$ 204.2**	**$ 1,743.5**	**$ 4,613.0**

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, 2025, 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 2025		As at March 31 2024
Use of capital[7]:				
Current assets	**$**	**2,143.6**	$	2,006.5
Less: cash and cash equivalents		**(293.7)**		(160.1)
Current liabilities		**(2,686.5)**		(2,358.4)
Less: current portion of long-term debt		**399.0**		308.9
Non-cash working capital[7]	**$**	**(437.6)**	$	(203.1)
Property, plant and equipment		**2,989.5**		2,515.6
Intangible assets		**3,871.0**		3,271.9
Other long-term assets		**2,209.7**		2,040.1
Other long-term liabilities		**(479.9)**		(407.7)
Capital employed	**$**	**8,152.7**	$	7,216.8
Source of capital[7]:				
Current portion of long-term debt	**$**	**399.0**	$	308.9
Long-term debt		**3,071.4**		2,765.4
Less: cash and cash equivalents		**(293.7)**		(160.1)
Net debt[7]	**$**	**3,176.7**	$	2,914.2
Equity attributable to equity holders of the Company		**4,891.5**		4,224.9
Non-controlling interests		**84.5**		77.7
Capital employed	**$**	**8,152.7**	$	7,216.8

Adjusted return on capital employed (ROCE)[7]
Adjusted ROCE was 7.2% this quarter, which compares to 5.9% in the fourth quarter of last year and 5.7% last quarter.
Non-cash working capital decreased by $234.5 million compared to last year
The decrease was mainly due to higher accounts payable and accrued liabilities, higher contract liabilities and lower contract assets.

Property, plant and equipment increased by $473.9 million compared to last year
The increase was mainly due to movements in foreign exchange rates, capital expenditures in excess of depreciation and the consolidation of SIMCOM following the increase of our ownership stake last quarter.

Intangible assets increased by $599.1 million compared to last year
The increase was mainly due to the consolidation of SIMCOM following the increase of our ownership stake last quarter and movements in foreign exchange rates.

Other long-term assets increased by $169.6 million compared to last year
The increase was mainly due to higher right-of-use assets in support of training network expansions, movements in foreign exchange rates and the consolidation of SIMCOM following the increase of our ownership stake last quarter, resulting in an increase in right-of-use assets and a decrease in investment in equity accounted investees. The increase was partially offset by lower employee benefits assets.

Other long-term liabilities increased by $72.2 million compared to last year
The increase was mainly due to higher employee benefits obligations, resulting primarily from revised actuarial experience assumptions and a decrease in the discount rate used to determine our defined benefit pension plan obligations, and higher contract liabilities.

Total debt increased by $396.1 million compared to last year
The increase in total debt was mainly due to the incremental borrowings from the SIMCOM transaction, including the consolidation of SIMCOM's total debt, following the increase of our ownership stake last quarter, additions and remeasurements of lease liabilities and movements in foreign exchange rates, partially offset by reduced level of borrowing aligned with our ongoing deleveraging objectives.

[7] Non-IFRS financial measure, non-IFRS ratio, capital management measure, or supplementary financial measure. Refer to Section 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"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] increased by $262.5 million compared to last year

(amounts in millions)		FY2025		FY2024
Net debt, beginning of period	**$**	**2,914.2**	$	3,032.5
Impact of cash movements on net debt (see table in the consolidated cash movements section 7.1)		**(228.3)**		(345.6)
Effect of foreign exchange rate changes on long-term debt		**146.1**		(6.3)
Impact from business combinations		**158.5**		—
Additions and remeasurements of lease liabilities		**153.4**		177.0
Other		**32.8**		68.7
Impact of discontinued operations		**—**		(12.1)
Change in net debt during the period	**$**	**262.5**	$	(118.3)
Net debt, end of period	**$**	**3,176.7**	$	2,914.2

Liquidity measures		**As at March 31 2025**		As at March 31 2024
Net debt-to-capital[8]	**%**	**39.0**	%	40.4
Net debt-to-EBITDA[8]		**2.78**		15.90
Net debt-to-adjusted EBITDA[8]		**2.77**		3.17

Total equity increased by $673.4 million this year
The increase compared to last year was mainly due to net income realized this year, changes in other comprehensive income, driven by foreign currency translation adjustments, and higher stock options exercised.

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 320,265,108 common shares issued and outstanding as at March 31, 2025 with total share capital of $2,327.1 million. In addition, we had 3,984,148 options outstanding. As at April 30, 2025, we had a total of 320,267,770 common shares issued and outstanding and 3,975,488 options outstanding.

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

During the three months ended March 31, 2025, no common shares were repurchased under the NCIB. During the year, we repurchased and cancelled a total of 856,230 common shares under the NCIB, at a weighted average price of $24.85 per common share, for a total consideration of $21.3 million.

8.2 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 13.1 " *Non-IFRS and other financial measure definitions"* and Section 13.3 *"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 30 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 11 and Note 30 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 32 of our consolidated financial statements.

Client concentration risk
For the year ended March 31, 2025, contracts with the U.S. federal government and its various agencies included in the Defense and Security segment accounted for 21% (2024 – 21%) 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 and Euro). 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.

Hedge of net investments in foreign operations
As at March 31, 2025, 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.

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 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, 2025, 86% (2024 – 93%) 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.

A sensitivity analysis for foreign currency risk and interest rate risk is included in Note 32 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. BUSINESS COMBINATIONS

SIMCOM Aviation Training

On November 5, 2024, we increased our ownership stake in our existing SIMCOM Aviation Training (SIMCOM) joint venture by purchasing an additional interest from Volo Sicuro for a cash consideration of $322.8 million (US$232.3 million), subject to customary adjustments.

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

Prior to acquiring control, our 50% ownership in SIMCOM was accounted for using the equity method. The change in control provided for the remeasurement of the previously held equity interest in SIMCOM to its fair value. The fair value of our previously held equity interest in SIMCOM was determined by applying a non-controlling discount to the consideration paid on the acquisition date and was valued at $230.6 million. As a result, we recorded a net remeasurement gain of $72.6 million.

As at March 31, 2025, the determination of the fair value of the net assets acquired and liabilities assumed arising from the SIMCOM acquisition are as follows:

		SIMCOM
Current assets, excluding cash on hand	**$**	**20.4**
Current liabilities		**(29.4)**
Property, plant and equipment		**135.5**
Right-of-use assets		**128.4**
Intangible assets		**504.8**
Deferred tax		**(23.7)**
Long-term debt, including current portion		**(158.5)**
Non-current liabilities		**(16.5)**
Fair value of net assets acquired, excluding cash acquired	**$**	**561.0**
Cash acquired		**14.8**
Total purchase consideration	**$**	**575.8**
Settlement of pre-existing balances with SIMCOM		**(22.4)**
Fair value of the Company's previously held equity interest in SIMCOM		**(230.6)**
Total cash consideration paid on acquisition date	**$**	**322.8**

The fair value of the acquired intangible assets amounts to $504.8 million and consists of goodwill of $379.6 million (non-deductible for tax purposes), customer relationships of $124.5 million and other intangibles of $0.7 million. The goodwill arising from this acquisition is attributable to the expansion of CAE's customer installed base of business aviation flight simulators, market capacity and expected synergies from combining operations.

The net assets acquired, including intangible assets, of SIMCOM are included in the Civil Aviation segment.

The purchase price allocation is final as at March 31, 2025.

10. DISCONTINUED OPERATIONS

During the fourth quarter of fiscal 2024, we closed the sale of our Healthcare business to Madison Industries. At the time of issuance of the consolidated financial statements, we are engaged in a dispute with Madison Industries, which is claiming up to approximately $60 million in final price adjustments. For additional information, refer to Section 7.4 "*Contingencies and commitments*" of this MD&A.

For the year ended March 31, 2024, 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 from discontinued operations are as follows:

	FY2025	FY2024	**Q4-2025**	Q4-2024
Revenue	**$ —**	$ 131.7	**$ —**	$ 14.8
Expenses	**—**	132.7	**—**	20.0
Operating loss	**$ —**	$ (1.0)	**$ —**	$ (5.2)
Finance expense	**—**	3.6	**—**	0.6
Loss before income taxes	**$ —**	$ (4.6)	**$ —**	$ (5.8)
Income tax recovery	**—**	(9.4)	**—**	(9.8)
Net income from discontinued operations before after-tax gain on disposal	**$ —**	$ 4.8	**$ —**	$ 4.0
After-tax gain on disposal of discontinued operations	**—**	16.5	**—**	16.5
Net income from discontinued operations	**$ —**	$ 21.3	**$ —**	$ 20.5

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

	FY2025	FY2024	**Q4-2025**	Q4-2024
Foreign currency exchange differences on translation of foreign operations	**$ —**	$ 0.9	**$ —**	$ 2.6
Reclassification to income of gains on foreign currency exchange differences	**—**	(2.5)	**—**	(2.5)
Income taxes	**—**	(5.4)	**—**	(5.4)
Other comprehensive loss from discontinued operations	**$ —**	$ (7.0)	**$ —**	$ (5.3)

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

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 21 of our consolidated financial statements.

The net cash flows from discontinued operations are as follows:

	FY2025	FY2024
Operating activities	**$ —**	$ 0.4
Investing activities	**—**	261.6
Financing activities	**—**	(1.3)
Net cash flows provided by discontinued operations	**$ —**	$ 260.7

11. 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 potential threats or vulnerabilities that can lead to unauthorized access to, damage to or loss of CAE digital assets, systems or data;
- **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;
- **Sustainability:** risks arising from climate events, social conditions, or ineffective practices that may lead 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.

11.1 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 2025, global uncertainty continued to intensify, including escalating trade and tariff uncertainty, continued military hostilities in Ukraine and 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.

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, tariffs, 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 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 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 2025. 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.

Changes in U.S. trade policies or regulations
Recent policy decisions by the U.S. presidential administration have introduced greater uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the U.S. and other countries. Major developments in trade relations, such as the potential renegotiation or termination of the Canada-United States-Mexico Agreement, or the imposition of unilateral tariffs or other trade barriers on products imported into the U.S. as well as retaliatory tariffs or other trade barriers imposed by the U.S.'s trading partners, could impact the availability and cost of materials, resources and services, and the availability and cost of our products to U.S. customers, which in turn may affect our competitiveness and results of operations. The implementation of previously-announced, postponed, or new tariffs, or the escalation of trade disputes which interfere with our supply chain and our sales in affected markets, could have an adverse effect on our operations and profitability. In addition, rising protectionism and anti-globalization sentiment in the United States and other countries may adversely impact long-term economic growth in the countries in which we operate, which in turn may affect our business, results of operations and financial condition.

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., the U.K. and Poland 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 update our fleet to the evolving technology. The adoption of disruptive technologies, such as AI, advanced computing platforms and autonomous 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.

Our ability to 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.

11.2 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, hoarding, and tariffs, 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 increasingly large and complex 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, tariffs, 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 were eight distinct legacy contracts identified in fiscal 2024, that were 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 was 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. During fiscal 2025, we completed three of the Legacy Contracts.

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 continue to depend on the acquired company's personnel, good faith, expertise, historical performance, technical resources and information systems, timely support, proprietary information and judgment to provide services to customers under a transitional services agreement. Consequently, we may remain vulnerable to adverse developments in the business and affairs of parties with whom we contract.

Despite our efforts to conduct thorough investigations in connection with any acquisition or related transaction, there is an inherent risk regarding the accuracy, quality and completeness of the information provided to CAE. Additionally, there may also be liabilities, deficiencies or other claims associated with companies or assets we acquire that were not discovered or accurately quantified during our due diligence, potentially resulting in unanticipated costs. CAE may not always be able to independently verify the accuracy or completeness of such information, and there may be unknown events or circumstances relating to acquisition targets that could affect the completeness or accuracy of the information provided to us.

Health and safety
We strive to maintain a safe working environment for all our employees and subcontractors, as well as for customers undergoing training at our facilities, and to control risks and hazards in the workplace. In the course of our activities, employees may be exposed to hazardous situations, including working in the presence of electricity, working at heights and using specialized tools. Despite the application of our rigorous safety protocols and training programs, there remains an inherent risk of accidents or illness in the workplace. Any significant incident could result in operational disruptions, legal liabilities, increased insurance costs and reputational damage. In addition, failure to comply with health and safety regulations could result in fines and affect our ability to win new contracts.

11.3 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.

11.4 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. Failure to plan the succession for critical positions could lead to leadership instability and loss of key talent. Since the pandemic and as broadly reflected in the industry, CAE has been faced with new talent-related challenges and risks, including the necessity to adapt our workforce to AI advancements, evolving roles for line managers which necessitate upskilling leaders, and changing needs of the new generation of employees. These factors may make it more difficult to recruit, attract and retain skilled personnel, reducing the availability of our workforce and potentially negatively impacting 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 and leaders capable of being ambassadors of our corporate culture. 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. There is no guarantee that any member of our leadership or other key employees will continue to serve in any capacity for any particular period of time, or that any leadership transitions will be successful. In particular, CAE is currently conducting searches for a new Chief Executive Officer and a permanent Chief Financial Officer. This transitional period may introduce uncertainties and disruptions to CAE's operations as well as its strategic planning and financial reporting processes. Additionally, the recruitment and integration of new members of the management team can be time-consuming and may divert management's attention from other aspects of CAE's business. There can also be no assurance that CAE will be able to attract and retain a permanent replacement for any of its executives, including the Chief Executive Officer and the Chief Financial Officer, in a timely manner. Moreover, 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, 2025. 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.

11.5 Financial risks

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.

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 2025 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 our accounts receivable and certain other assets through our normal commercial activities. 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 and the Euro. 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
Liquidity risk is defined as the potential risk that we cannot meet our cash obligations as they become due. 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.

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

We maintain insurance coverage for various aspects of our business and operations, including for litigation. Our insurance programs have varying coverage limits and maximums, and insurance companies may deny claims we might make. Please refer to *"Insurance coverage potential gaps"* under Section 11.6 *"Legal and regulatory risks"* of CAE's MD&A for the year ended March 31, 2025 for more detail regarding the risks associated with our insurance coverage.

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 adjusted order intake 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.

11.6 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, patents, industrial designs, trademarks and contractual restrictions, such as confidentiality agreements 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 hardware, including computer systems, optical systems and electronics, 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.

11.7 Sustainability risks

Extreme climate events and the impact of natural or other disasters (including effects of climate change)
Climate change, reflected in an increase in extreme events such as extreme heat, heavy rainfall, drought and cyclones, can disrupt our operations, damage our infrastructure, endanger the health and safety of our employees, affect the availability and cost of materials, resources and services, reduce air traffic, increase insurance costs, and even compromise our ability to obtain adequate insurance coverage for all the major risks to which we are exposed. These disruptions may have a significant impact on our operating results, financial position and liquidity. In addition, evolving regulatory frameworks related to climate change add additional responsibilities specific to the products and services we provide.

Sustainability commitments and expectations
Evolving stakeholder expectations with respect to sustainability 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 equal opportunities, among other factors, which could affect corporate profitability and reputation.

Additional sustainability-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 uncertain and evolving set of compliance risks. Gaps in perception and acceptability of how sustainability factors in shareholder value also call for increased vigilance when it comes to sustainability reporting and communication.

More acute generalized scrutiny also adds pressure to secure reliable and precise sustainability 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 a sustainability catalyst in the industry.

As CAE's sustainability performance is assessed by proxy advisory agencies, we could also face governance issues if we do not meet their expectations.

11.8 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.

11.9 Technological risks

Information technology
CAE's operations rely heavily on information technology infrastructure, software as a service and other software applications, whether hosted internally or outsourced. As we expand our product portfolio to include software solutions and place greater emphasis on digital strategy and AI, this reliance on information technology infrastructure and systems has become even more critical. Our business also requires the appropriate and secure handling of sensitive and confidential information from third parties such as aircraft OEMs, national defence forces and customers. Any material disruption in our 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 could result in financial losses and/or impairments in our customers' operations.

System modernization, updates and system replacements can temporarily disrupt our business activities. 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.

12. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel have the ability and responsibility to make major operational, financial and strategic decisions for CAE. In fiscal 2025, we determined that key management personnel consist of the Board of Directors and its Management Team, which is comprised of the President and Chief Executive Officer (CEO) and executive officers who report directly to him. In fiscal 2024, prior to the senior leadership reorganization announced in May 2024, we determined that key management personnel consisted of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer, and the Group Presidents. As at March 31, 2025, key management personnel consist of 12 non-employee Directors and 8 executive officers (2024 – 12 non-employee Directors and 5 executive officers).

The compensation expense of key management for employee services recognized in income are as follows:

(amounts in millions)		**2025**		2024
Salaries and other short-term employee benefits	**$**	**12.5**	$	6.6
Post-employment benefits – defined benefit plans		**2.0**		3.8
Costs related to the CEO's terms of departure		**6.3**		—
Termination benefits		**5.0**		2.1
Share-based payments expense		**22.2**		4.4
	$	**48.0**	$	16.9

In November 2024, the Company announced its CEO succession plan whereby the current CEO will be leaving the Company at the Annual General Meeting in August 2025. The CEO's terms of departure were finalized during the fourth quarter of fiscal 2025 and include non-compete and non-solicitation covenants, as well as other terms that are generally consistent with the previously agreed-upon employment arrangement which will remain in force until the departure date.

During fiscal 2025, the Company incurred approximately $8.3 million of executive management transition costs, including $6.3 million related to the CEO's terms of departure, representing accrued expenses not yet paid to the current CEO, and $2.0 million of other costs consisting primarily of external advisor fees. These costs are recorded in selling, general and administrative expenses.

For the year ended March 31, 2025, the compensation earned by non-employee Directors amounted to $3.9 million (2024 – $3.3 million), which include the grant date fair value of deferred share units (DSUs) as well as cash payments.

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

13.1 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 gain on fair value remeasurement of SIMCOM (as described in Note 7 of our consolidated financial statements for the year ended March 31, 2025), the shareholder matters (as described in Section 5.5 of this MD&A), the executive management transition costs (as described in Section 5.6 of this MD&A), the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We track adjusted segment operating income because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods. Adjusted segment operating income on a consolidated basis is a total of segments measure since it is the profitability measure employed by management for making decisions about allocating resources to segments and assessing segment performance. Refer to Section 13.3 "*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 13.3 *"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 gain on fair value remeasurement of SIMCOM (as described in Note 7 of our consolidated financial statements for the year ended March 31, 2025), the shareholder matters (as described in Section 5.5 of this MD&A), the executive management transition costs (as described in Section 5.6 of this MD&A), the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We track adjusted net income because we believe it provides an enhanced understanding of our operating performance and facilitates the comparison across reporting periods. Refer to Section 13.3 "*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 13.3 "*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 gain on fair value remeasurement of SIMCOM (as described in Note 7 of our consolidated financial statements for the year ended March 31, 2025), the shareholder matters (as described in Section 5.5 of this MD&A), the executive management transition costs (as described in Section 5.6 of this MD&A), the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We use EBITDA and adjusted EBITDA to evaluate our operating performance, by eliminating the impact of non-operational or non-cash items. Refer to Section 13.3 "*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 gain on fair value remeasurement of SIMCOM (as described in Note 7 of our consolidated financial statements for the year ended March 31, 2025), the shareholder matters (as described in Section 5.5 of this MD&A), the executive management transition costs (as described in Section 5.6 of this MD&A), the impairment of goodwill (as described in Note 14 of our consolidated financial statements for the year ended March 31, 2024), the impairment of technology and other non-financial assets (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2024) and the impairment reversal of non-financial assets following their repurposing and optimization (as described in Note 5 of our consolidated financial statements for the year ended March 31, 2023). We use adjusted ROCE to evaluate the profitability of our invested capital.

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

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

Net debt-to-EBITDA and net debt-to-adjusted EBITDA
Net debt-to-EBITDA and net debt-to-adjusted EBITDA are non-IFRS ratios calculated as net debt divided by the last twelve months EBITDA (or adjusted EBITDA). We use net debt-to-EBITDA and net debt-to-adjusted EBITDA because they reflect our ability to service our debt obligations. Refer to Section 13.3 "*Non-IFRS measure reconciliations*" of this MD&A for a calculation of these measures.

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

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

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

GROWTH MEASURES

Adjusted order intake

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

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

Adjusted backlog

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

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

Book-to-sales ratio

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

13.2 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.

13.3 Non-IFRS measure reconciliations

Reconciliation of adjusted segment operating income

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Three months ended March 31	**2025**	2024	**2025**	2024	**2025**	2024
Operating income (loss)	**$ 197.4**	$ 147.0	**$ 42.5**	$ (680.0)	**$ 239.9**	$ (533.0)
Restructuring, integration and acquisition costs	**—**	44.4	**—**	10.6	**—**	55.0
Impairments and other gains and losses arising from significant strategic transactions or specific events:						
Shareholder matters	**6.3**	—	**4.3**	—	**10.6**	—
Executive management transition costs	**4.7**	—	**3.6**	—	**8.3**	—
Impairment of goodwill	**—**	—	**—**	568.0	**—**	568.0
Impairment of technology and other non-financial assets	**—**	—	**—**	35.7	**—**	35.7
Adjusted segment operating income (loss)	**$ 208.4**	$ 191.4	**$ 50.4**	$ (65.7)	**$ 258.8**	$ 125.7

(amounts in millions)	Civil Aviation		Defense and Security		Total	
Years ended March 31	**2025**	2024	**2025**	2024	**2025**	2024
Operating income (loss)	**$ 605.3**	$ 442.0	**$ 123.9**	$ (627.4)	**$ 729.2**	$ (185.4)
Restructuring, integration and acquisition costs	**37.8**	106.9	**18.7**	24.5	**56.5**	131.4
Impairments and other gains and losses arising from significant strategic transactions or specific events:						
Gain on fair value remeasurement of SIMCOM	**(72.6)**	—	**—**	—	**(72.6)**	—
Shareholder matters	**6.3**	—	**4.3**	—	**10.6**	—
Executive management transition costs	**4.7**	—	**3.6**	—	**8.3**	—
Impairment of goodwill	**—**	—	**—**	568.0	**—**	568.0
Impairment of technology and other non-financial assets	**—**	—	**—**	35.7	**—**	35.7
Adjusted segment operating income	**$ 581.5**	$ 548.9	**$ 150.5**	$ 0.8	**$ 732.0**	$ 549.7

Reconciliation of adjusted net income and adjusted EPS

	Three months ended March 31		**Years ended March 31**	
(amounts in millions, except per share amounts)	**2025**	2024	**2025**	2024
Net income attributable to equity holders of the Company	**$ 135.9**	$ (484.2)	**$ 405.3**	$ (304.0)
Net loss (income) from discontinued operations	**—**	(20.5)	**—**	(21.3)
Restructuring, integration and acquisition costs, after tax	**—**	42.3	**43.2**	101.0
Impairments and other gains and losses arising from significant strategic transactions or specific events:				
Gain on fair value remeasurement of SIMCOM, after tax	**—**	—	**(76.7)**	—
Shareholder matters, after tax	**7.6**	—	**7.6**	—
Executive management transition costs, after tax	**6.1**	—	**6.1**	—
Impairment of goodwill, after tax	**—**	473.7	**—**	473.7
Impairment of technology and other non-financial assets, after tax	**—**	27.4	**—**	27.4
Adjusted net income	**$ 149.6**	$ 38.7	**$ 385.5**	$ 276.8
Average number of shares outstanding (diluted)	**321.1**	318.3	**319.7**	318.2
Adjusted EPS	**$ 0.47**	$ 0.12	**$ 1.21**	$ 0.87

Calculation of adjusted effective tax rate

	Three months ended March 31		Years ended March 31	
(amounts in millions, except effective tax rates)	**2025**	2024	**2025**	2024
Earnings (loss) before income taxes	**$ 183.4**	$ (585.4)	**$ 513.7**	$ (390.4)
Restructuring, integration and acquisition costs	**—**	55.0	**56.5**	131.4
Impairments and other gains and losses arising from significant strategic transactions or specific events:				
Gain on fair value remeasurement of SIMCOM	**—**	—	**(72.6)**	—
Shareholder matters	**10.6**	—	**10.6**	—
Executive management transition costs	**8.3**	—	**8.3**	—
Impairment of goodwill	**—**	568.0	**—**	568.0
Impairment of technology and other non-financial assets	**—**	35.7	**—**	35.7
Adjusted earnings before income taxes	**$ 202.3**	$ 73.3	**$ 516.5**	$ 344.7
Income tax expense (recovery)	**$ 45.2**	$ (80.6)	**$ 98.7**	$ (72.8)
Tax impact on restructuring, integration and acquisition costs	**—**	12.7	**13.3**	30.4
Tax impact on impairments and other gains and losses arising from significant strategic transactions or specific events:				
Tax impact on gain on fair value remeasurement of SIMCOM	**—**	—	**4.1**	—
Tax impact on shareholder matters	**3.0**	—	**3.0**	—
Tax impact on executive management transition costs	**2.2**	—	**2.2**	—
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
Adjusted income tax expense	**$ 50.4**	$ 34.7	**$ 121.3**	$ 60.2
Effective tax rate	**% 25**	% 14	**% 19**	% 19
Adjusted effective tax rate	**% 25**	% 47	**% 23**	% 17

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)	**2025**	2024
Operating income (loss)	**$ 729.2**	$ (185.4)
Depreciation and amortization	**414.7**	368.7
EBITDA	**$ 1,143.9**	$ 183.3
Restructuring, integration and acquisition costs	**56.5**	131.4
Impairments and other gains and losses arising from significant strategic transactions or specific events:		
Gain on fair value remeasurement of SIMCOM	**(72.6)**	—
Shareholder matters	**10.6**	—
Executive management transition costs	**8.3**	—
Impairment of goodwill	**—**	568.0
Impairment of technology and other non-financial assets	**—**	35.7
Adjusted EBITDA	**$ 1,146.7**	$ 918.4
Net debt	**$ 3,176.7**	$ 2,914.2
Net debt-to-EBITDA	**2.78**	15.90
Net debt-to-adjusted EBITDA	**2.77**	3.17

14. CHANGES IN ACCOUNTING POLICIES

14.1 New and amended standards adopted

Amendments to IAS 1 – Presentation of Financial Statements
In January 2020, the 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.

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

Amendments to IFRS 16 – Leases
In September 2022, the IASB issued amendments to IFRS 16 – *Leases*, which requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. This amendment was applied for the first time on April 1, 2024, but did not have a significant impact on our consolidated financial statements.

Amendments to IAS 7 – Statement of Cash Flows, and IFRS 7 – Financial Instruments: disclosures
In May 2023, the IASB issued amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: disclosure*, which introduces disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any comparative period in the year of initial application of the amendments. This amendment was applied for the first time on April 1, 2024, and we have elected to apply the transition relief to our consolidated financial statements.

Disclosure of revenues and expenses for reportable segments – IFRS 8 – Operating Segments
In July 2024, the IFRS Interpretations Committee issued an agenda decision which clarifies certain disclosure requirements under IFRS 8 – *Operating Segments*. The decision highlights the need to disclose certain specified income and expense items if these are included in the measure of segment profit or loss reviewed by the Chief Operating Decision Maker (CODM) or are otherwise regularly provided to the CODM, even if not included in that measure of segment profit or loss. The required disclosures have been made in Note 4 – *Operating segments and geographic information* of our consolidated financial statements.

14.2 New and amended standards not yet adopted

Amendments to IFRS 7 – Financial Statements Disclosures and IFRS 9 – Financial Instruments
In May 2024, the IASB issued amendments to IFRS 7 - *Financial Statements Disclosures* and IFRS 9 - *Financial Instruments* to clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system, to clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of ESG targets), and update the disclosures for equity instruments designated at FVOCI.

These amendments to IFRS 7 and IFRS 9 will be effective for our fiscal period beginning on April 1, 2026, with earlier adoption permitted. We continue to evaluate the impact of these amendments on our consolidated financial statements.

IFRS 18 – Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 - *Presentation and Disclosure in Financial Statements* which sets out requirements for the presentation and disclosure of information in the financial statements. IFRS 18 will replace IAS 1 - Presentation of Financial Statements but carries forward many of the requirements from IAS 1. IFRS 18 introduces a defined structure for the income statement, composed of required categories and subtotals, and disclosure requirements for management-defined performance measures.

IFRS 18 will be effective for our fiscal period beginning on April 1, 2027. We continue to evaluate the impact of the new standard on our consolidated financial statements.

14.3 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 22 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.

15. INTERNAL CONTROL OVER FINANCIAL REPORTING

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

As of March 31, 2025, management evaluated, under the supervision of and with the participation of the President and Chief Executive Officer and the Interim Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as defined under National Instrument 52-109 adopted by the Canadian Securities Administrators and in Rule 13(a)-15(e) under the U.S. Securities Exchange Act of 1934, as amended, and have concluded that the Company's disclosure controls and procedures were effective.

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

Management has assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2025 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, 2025.

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

16. 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.

17. 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.

18. 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 2025						
Revenue	**$**	**1,072.5**	**1,136.6**	**1,223.4**	**1,275.4**	**4,707.9**
Net income	**$**	**50.8**	**54.8**	**171.2**	**138.2**	**415.0**
Equity holders of the Company	**$**	**48.3**	**52.5**	**168.6**	**135.9**	**405.3**
Non-controlling interests	**$**	**2.5**	**2.3**	**2.6**	**2.3**	**9.7**
Basic and diluted EPS attributable to equity holders of the Company	**$**	**0.15**	**0.16**	**0.53**	**0.42**	**1.27**
Adjusted EPS	**$**	**0.21**	**0.24**	**0.29**	**0.47**	**1.21**
Average number of shares outstanding (basic)		**318.6**	**318.7**	**319.0**	**320.0**	**319.1**
Average number of shares outstanding (diluted)		**318.8**	**319.1**	**319.8**	**321.1**	**319.7**
Fiscal 2024						
Revenue	$	1,012.0	1,050.0	1,094.5	1,126.3	4,282.8
Net income	$	67.8	61.1	59.1	(484.3)	(296.3)
Equity holders of the Company						
Continuing operations	$	64.8	56.2	58.4	(504.7)	(325.3)
Discontinued operations	$	0.5	2.2	(1.9)	20.5	21.3
Non-controlling interests	$	2.5	2.7	2.6	(0.1)	7.7
Basic and diluted EPS attributable to equity holders of the Company	$	0.20	0.18	0.17	(1.52)	(0.95)
Continuing operations	$	0.20	0.17	0.18	(1.58)	(1.02)
Discontinued operations	$	—	0.01	(0.01)	0.06	0.07
Adjusted EPS	$	0.24	0.26	0.24	0.12	0.87
Average number of shares outstanding (basic)		318.0	318.2	318.3	318.3	318.2
Average number of shares outstanding (diluted)		318.8	319.2	319.1	318.3	318.2
Fiscal 2023						
Revenue	$	893.7	949.6	969.9	1,197.4	4,010.6
Net income	$	3.7	46.3	80.0	101.9	231.9
Equity holders of the Company						
Continuing operations	$	6.8	44.2	76.0	93.6	220.6
Discontinued operations	$	(5.1)	0.3	2.1	4.8	2.1
Non-controlling interests	$	2.0	1.8	1.9	3.5	9.2
Basic and diluted EPS attributable to equity holders of the Company	$	—	0.14	0.25	0.31	0.70
Continuing operations	$	0.02	0.14	0.24	0.29	0.69
Discontinued operations	$	(0.02)	—	0.01	0.02	0.01
Adjusted EPS	$	0.07	0.19	0.27	0.33	0.87
Average number of shares outstanding (basic)		317.1	317.8	317.9	317.9	317.7
Average number of shares outstanding (diluted)		318.2	318.4	318.3	318.7	318.4

The following table provides selected annual financial information for the past three fiscal years.

(amounts in millions)		**2025**		**2024**		**2023**
Financial position:						
Total assets	**$**	**11,213.8**	$	9,834.1	$	10,436.5
Total non-current financial liabilities[1]		**3,185.2**		2,855.4		3,179.6
Total net debt		**3,176.7**		2,914.2		3,032.5

(1) Includes long-term debt, long-term derivative liabilities and other long-term liabilities meeting the definition of a financial liability.