

## Expected impact of IFRS 11 Joint Arrangements on some of CAE's financial and operating metrics

The required adoption of the IFRS 11 by CAE, effective April 1, 2013, results in a number of changes to our consolidated financial statements due to the change in the way we account for our interest in joint ventures (JVs) and our transactions with JVs. We previously accounted for our interest in joint ventures using the proportionate consolidation method and now we use the equity method. These are changes in accounting policies and not changes in the economics or the fundamentals of the business. The overall impact on EPS is minimal.

The tables below summarize the expected impacts from the adoption of IFRS 11 on certain financial and operating metrics. The expression "Before" refers to the accounting prior to the adoption of IFRS 11, whereas the expression "Now" refers to the accounting following the adoption of IFRS 11 effective April 1, 2013. "Impact" explains the expected results on the stated metric between what it would have been before the adoption of IFRS 11 and what it is now assuming no change in any other variable. "Our share" means CAE's percentage interest in a JV.

The tables below aim to help readers of our Management Discussion & Analysis (MD&A), consolidated financial statements and other public disclosure to understand the most significant impacts that the adoption of IFRS 11 has on some of CAE's financial and operating metrics. CAE does not in any way guarantee the accuracy or the completeness of such information as the nature and timing of certain future transactions may result in different impacts. This material has been prepared for general information purposes and is not intended to be relied upon as a complete and exhaustive list of all the impacts in applying IFRS 11 to other companies' financial statements.

### Income Statement

	Simulation Products Segments	Training & Services Segments	Combined Segments
<b>Revenue</b>	<p>➤ <b>Before</b> We included only our JV partners' percentage interest of revenue on products sold to our JVs</p> <p>➤ <b>Now</b> We include 100% of revenue on products sold to our JVs</p> <p>➤ <b>Impact</b> Revenue increase</p>	<p>➤ <b>Before</b> We included our share of our JVs revenue</p> <p>➤ <b>Now</b> We exclude entirely our JVs revenue</p> <p>➤ <b>Impact</b> Revenue decrease</p>	<p>➤ <b>Impact</b> In most cases, our combined revenue is lower because we have historically generated a higher amount of revenue from our JV operations than from our product sales to JVs</p>
<b>Segment Operating Income (SOI \$)</b>	<p>➤ <b>Before</b> We included only our JV partners' percentage interest of SOI on products sold to our JVs</p> <p>➤ <b>Now</b> We include 100% of SOI on products sold to our JVs</p> <p>➤ <b>Impact</b> SOI increase</p>	<p>➤ <b>Before</b> We included our share of JVs SOI</p> <p>➤ <b>Now</b> We include our share of the net profit of our JVs SOI which: - includes finance and income tax expenses incurred by our JVs - is adjusted to eliminate our share of SOI for products sold to our JVs</p> <p>➤ <b>Impact</b> SOI decrease</p>	<p>➤ <b>Impact</b> Our combined SOI is lower by the finance and income tax expenses incurred by our JVs. The elimination of our share of product sales to our JVs was recorded in our Simulation Products segments before, whereas it is now recorded in our Training &amp; Services segments, for a neutral impact on our Combined segments</p>
<b>Segment Operating Margin (%)</b>	<p>➤ <b>Impact</b> Varies depending on the margin specific to each sale to our JVs</p>	<p>➤ <b>Impact</b> Lower when there are product sales to JVs</p>	<p>➤ <b>Impact</b> Minimal impact</p>

CAE Inc. consolidated

<p><b>Finance Expense</b></p>	<p>➤ <b>Before</b> We included our share of finance expense incurred by our JVs in our consolidated finance expense</p> <p>➤ <b>Now</b> We include our share of finance expense incurred by our JVs within our SOI</p> <p>➤ <b>Impact</b> Lower finance expense</p>
<p><b>Income Tax Expense</b></p>	<p>➤ <b>Before</b> We included our share of income tax expense incurred by our JVs in our consolidated income tax expense</p> <p>➤ <b>Now</b> We include our share of income tax expense incurred by our JVs within our SOI</p> <p>➤ <b>Impact</b> Lower income tax expense</p>
<p><b>Income Tax Rate (%)</b></p>	<p>Minimal impact</p>
<p><b>Earnings Per Share (EPS)</b></p>	<p>Minimal impact</p>

## Financial Position and Cash Movements

	Simulation Products Segments	Training & Services Segments	Combined Segments
<b>Capital Employed</b>	Minimal impact	Minimal impact	Minimal impact
<b>CAE Inc. consolidated</b>			
<b>Return on Capital Employed (ROCE)</b>	Minimal impact		
<b>Net Debt</b>	<p>➤ <b>Before</b> We included our share of our JVs net debt in our consolidated net debt</p> <p>➤ <b>Now</b> We exclude our share of our JVs net debt from our consolidated net debt</p> <p>➤ <b>Impact</b> Lower net debt</p>		
<b>Free Cash Flow</b>	<p>➤ <b>Before</b> We included our share of our JVs free cash flow in our consolidated free cash flow</p> <p>➤ <b>Now</b> We exclude our share of our JVs free cash flow from our consolidated free cash flow</p> <p>➤ <b>Impact</b> Lower free cash flow</p>		
<b>Capital Expenditures</b>	<p>➤ <b>Before</b> We included our share of our JVs capital expenditures in our consolidated capital expenditures</p> <p>➤ <b>Now</b> We exclude our share of our JVs capital expenditures from our consolidated capital expenditures</p> <p>➤ <b>Impact</b> Lower capital expenditures</p>		

## Other Non-GAAP Measures

	Simulation Products Segments	Training & Services Segments	Combined Segments
<b>Order Intake</b>	<p>➤ <b>Before</b> We included only our JV partners' percentage interest of product orders sold to our JVs</p> <p>➤ <b>Now</b> We include 100% of product orders sold to our JVs</p> <p>➤ <b>Impact</b> Order intake increase</p>	<p>➤ <b>Before</b> We included our share of order intake contracted by our JVs</p> <p>➤ <b>Now</b> We exclude the order intake contracted by our JVs</p> <p>➤ <b>Impact</b> Order intake decrease</p>	<p>➤ <b>Impact</b> Varies depending on the proportion of product vs service orders related to JVs</p>
<b>Backlog</b>	<p>➤ <b>Before</b> We included only our JV partners' percentage interest of product backlog to our JVs</p> <p>➤ <b>Now</b> We include 100% of our product backlog to our JVs</p> <p>➤ <b>Impact</b> Backlog increase</p>	<p>➤ <b>Before</b> We included our share of our JVs backlog</p> <p>➤ <b>Now</b> We exclude our JVs backlog</p> <p>➤ <b>Impact</b> Backlog decrease. Our share of our JVs backlog is disclosed separately in our MD&amp;A</p>	<p>➤ <b>Impact</b> Varies depending on the proportion of product vs service backlog related to our JVs</p>
<b>Simulator Equivalent Unit (SEU)</b>	Not applicable	<p>➤ <b>Before</b> We used "Revenue Simulator Equivalent Unit" (RSEU) terminology</p> <p>➤ <b>Now</b> Our terminology is adjusted to "Simulator Equivalent Unit" (SEU)</p> <p>➤ <b>Impact</b> No change in calculation methodology</p>	Not applicable
<b>FFSs deployed</b>	Not applicable	No change	Not applicable
<b>Utilization Rates</b>	Not applicable	No change	Not applicable