INVESTOR PRESENTATION

IFRS Briefing
Fiscal Year
Beginning
April 1, 2010

May 19, 2011

CAE
one step ahead

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Cautionary statements

- Accounting policies determined but impacts to the opening IFRS Balance Sheet should not be considered complete or final
- This document is not a substitute for reading the financial statements and management discussion & analysis
- Modifications are possible as
  - Our estimates, assumptions & expectations are subject to change
  - Changes to other regulations or economic conditions may impact figures
  - If IFRS changes during fiscal 2012, we will have to apply those relevant changes to our opening balance sheet as at April 1st, 2010 and retroactively to the fiscal 2011 comparative information
    - Accordingly, any changes to IFRS and consequent changes to our accounting policy choices, prior to the issuance of our first annual financial statements under IFRS, could be different.
- Figures are subject to the completion of an external audit

Opening Balance Sheet

As at April 1, 2010

(amounts in millions)	Assets	Related deferred tax	**Assets, net Impact**	Liabilities	Related deferred tax	**Liabilities, net impact**	**Equity**
Balances as per CDN GAAP	**2,622**		**2,622**	**1,466**		**1,466**	**1,156**
IFRS measurement adjustments from:							
Leases	141	-	**141**	176	(12)	**164**	**(23)**
Employee benefits (pension)	(30)	-	**(30)**	48	(21)	**27**	**(57)**
Government assistance	19	-	**19**	157	(37)	**120**	**(101)**
Propert, plant and equipment	(85)	-	**(85)**	-	(17)	**(17)**	**(68)**
Borrowing costs	(25)	2	**(23)**	-	-	**-**	**(23)**
Income taxes & other (including revenue)	(3)	(45)	**(48)**	19	16	**35**	**(83)**
IFRS reclassification adjustments	10	(15)	**(5)**	(5)	1	**(4)**	**(1)**
	27	(58)	**(31)**	395	(70)	**325**	**(356)**
Balances as per IFRS	**2,649**	**(58)**	**2,591**	**1,861**	**(70)**	**1,791**	**800**
Non-controlling interests (NCI) adjustments	-	-	**-**	(18)	-	**(18)**	**18**
Balances as per IFRS	**2,649**	**(58)**	**2,591**	**1,843**	**(70)**	**1,773**	**818**

Major accounting policy impacts
Leases

- 29 full-flight simulators classified and accounted for as operating leases under Canadian GAAP
- In line with IFRS:
  - 24 simulators leases qualify for capital lease treatment
  - 5 simulators leases retain operating lease classification
  - 3 buildings classified as capital leases
  - Net assets recognized on balance sheet **$141M**
  - Long-term debt recognized on balance sheet **$176M** (PV of future payments)
  - Rent expenses no longer recognized for these assets
    - Instead, depreciation expense (from assets) and interest expense (from debt) recognized over the lease term
  - Change has no impact on business
    - Lease obligations already included in CAE's calculation of key indicators such as ROCE, banking covenants and S&P credit rating

Major accounting policy impacts
Employee benefits (pension)

- Total after-tax adjustment to equity of **$57M**
- Actuarial gains and losses on retirement benefit plans fully recognized on balance sheet
  - Consistent with IFRS implementation by other Canadian organizations
  - Treatment aligned with US GAAP
  - Subsequent actuarial gains and losses recognized in the period in which they occur on the balance sheet and in OCI
- Valuation date of plan assets and liabilities
  - March 31 for IFRS vs. December 31 for Canadian GAAP
- Past service costs recognized to earnings as incurred
  - Past service costs vesting immediately will be recognized to earnings as incurred instead of amortized over a certain period

Major accounting policy impacts
Government assistance

Government assistance conditionally repayable by royalties:

- Should be recognized as a financial liability under IFRS
  - Based on future projections
  - Measured at net present value of estimated payments
    - Long-term obligation recognized on balance sheet **$157M**
  - Obligations are subject to interest accretion
  - Royalty expenses no longer recognized
    - Cash royalty payments recorded instead as a reduction of obligation and accrued interest expense
- Recognized entirely as a grant as per Canadian GAAP
  - Contingent royalty obligations recognized only once the royalty conditions are met

Major accounting policy impacts
Property Plant & Equipment (PP&E)

- Total PP&E impact of **$110M**
- Borrowing costs (capitalized interest)
  - Under IFRS, interest costs relating to the construction of all qualifying assets must be capitalized as part of the cost of that asset on or after the date of transition to IFRS (April 1, 2010)
  - Unamortized capitalized interest previously recognized and outstanding at the date of transition are eliminated and adjusted through equity
- Measurement of property plant and equipment
  - PP&E measurement of some assets at fair value as deemed cost
    - Change in value recognized to retained earnings
    - Involves 26 full-flight simulators
    - Discounted cash flow method used to determine estimated fair value

Major accounting policy impacts
Deferred tax on major items

- Recognition of deferred tax assets
  - Only to the extent that their realization is probable
    - Considerations of what is probable include the country in which the transaction is recorded, the historical taxable profits of subsidiaries and the period of the transaction
- Deferred tax assets not fully recognized as some of the benefits are expected to materialize in periods subsequent to the period meeting the probability of recovery test
- **$12M** of deferred tax assets related to major IFRS items

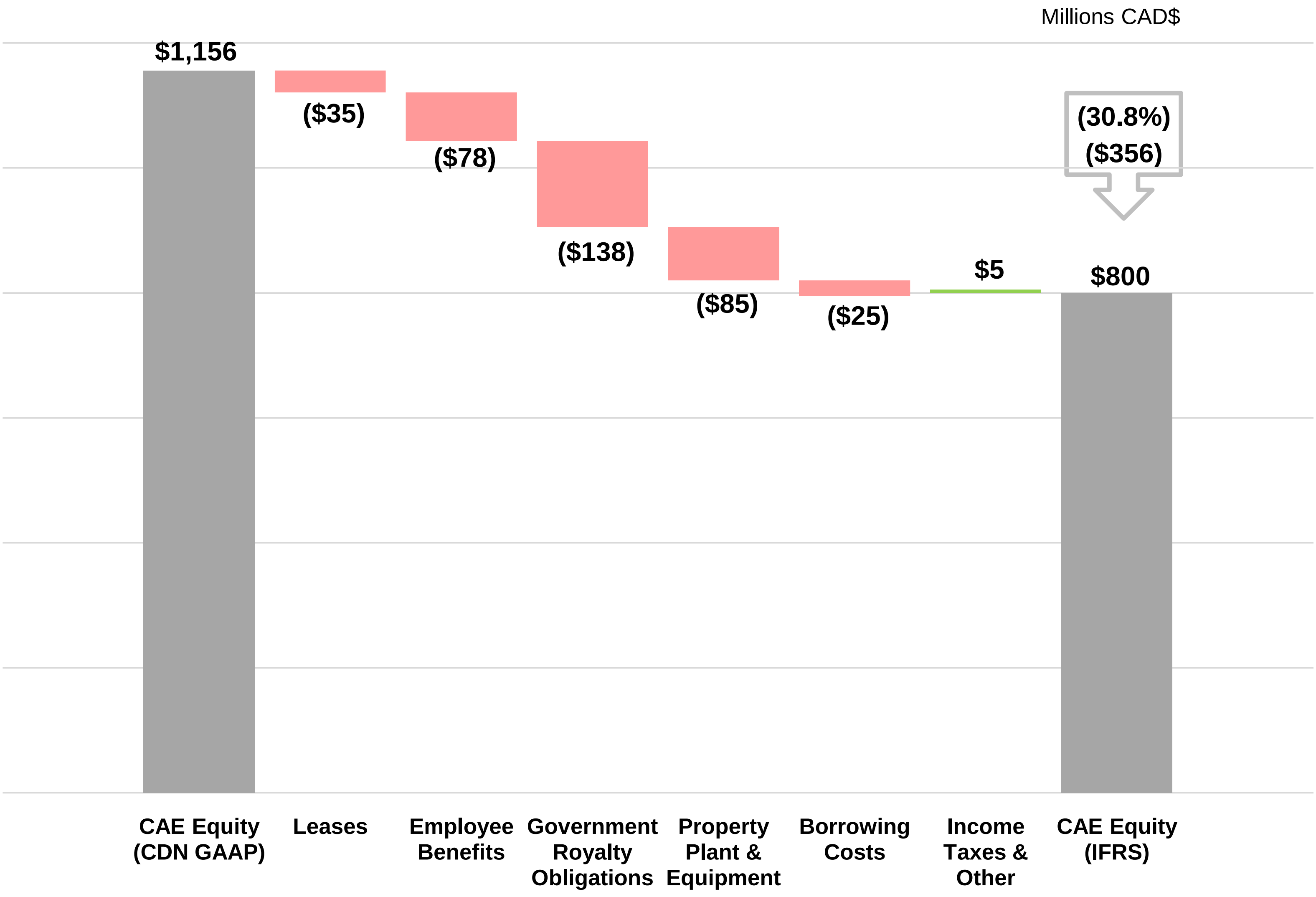
Additional IFRS considerations

- Business Acquisitions
  - Beginning April 1, 2010 under IFRS, acquisition-related costs to be recognized as expenses in the periods in which they are incurred
    - Aligned with US GAAP
- Cumulative Translation Adjustment (CTA)
  - CTA reset to **$0**
  - **$226M** re-classed from OCI to retained earnings
  - Total equity unaffected

Additional IFRS considerations (cont.)

- International Accounting Standard Board (IASB) work plan
  - Revenue recognition
    - Revenue recognition for the sale of training devices using percentage-of-completion method is appropriate based on current standard
    - Exposure draft released
      - Single model for all types of revenues
      - Model based on transfer of control
      - CAE remains confident with POC application
  - Joint ventures
    - Proportionate consolidation of joint ventures currently appropriate
    - IASB issued new standard for joint arrangements in May 2011
      - Eliminates choice of proportionate consolidation and makes equity accounting mandatory
      - Will be applicable for fiscal 2014 (earlier application permitted)
      - Impacts revenue and expenses but no impact on net earnings

IFRS reconciliation
Opening equity as at April 1, 2010



IFRS reconciliation
Q3F11 YTD consolidated profit

Question period

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